IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF OHIO
EASTERN DIVISION

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IN RE: NATIONAL PRESCRIPTION OPIATE LITIGATION, MDL No 2804

Case No 17-MD-2804

This document relates to:

All Cases Hon Dan A Polster

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* * HIGHLY CONFIDENTIAL - SUBJECT TO FURTHER * *
* * CONFIDENTIALITY REVIEW * *

VIDEOTAPED DEPOSITION
OF
THOMAS P NAPOLI
New York, New York
Thursday, January 17, 2019

Reported by:
ANNETTE ARLEQUIN, CCR, RPR, CRR, RSA

January 17, 2019
9:06 a.m.

Videotaped deposition of PURDUE PHARMA, through its representative, THOMAS P. NAPOLI, held at the offices of LIEFF CABRASER HEIMANN & BERNSTEIN LLP, 250 Hudson Street, New York, New York, pursuant to Notice, before Annette Arlequin, a Certified Court Reporter, a Registered Professional Reporter, a Realtime Systems Administrator, a Certified Realtime Reporter, and a Notary Public of the State of New York and New Jersey.

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ERIK DAVIDSON, Videographer

IT IS HEREBY STIPULATED AND AGREED by and between the attorneys for the respective parties herein, that filing and sealing be and the same are hereby waived;

IT IS FURTHER STIPULATED AND AGREED that all objections, except as to the form of the question, shall be reserved to the time of the trial;

IT IS FURTHER STIPULATED AND AGREED that the within deposition may be sworn to and signed before any officer authorized to administer an oath, with the same force and effect as if signed and sworn to before the Court.

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THE VIDEOGRAPHER: We are now on the record. My name is Eric Davidson. I am videographer for Golkow Litigation Services.

Today's date is January 17, 2019, and the time is approximately 9:06 a m.

This video deposition is being held in 250 Hudson Street, 8th Floor, New York, New York, in the matters of National Prescription Opiate Litigation for the United States District Court Northern District of Ohio.

The deponent is Tom Napoli.

Please note counsel will be noted on the stenographic record.

The court reporter may now swear in the witness.

* * *

THOMAS P. NAPOLI, called as a witness, having been duly sworn by a Notary Public, was examined and testified as follows:

THE WITNESS: I do.

Thomas Patrick Napoli.
EXAMINATION BY
MR. EGLER:
Q. Mr. Napoli, thanks for coming in today.
Do you understand that you're under oath?
A. Yes, sir.
Q. And when you say you're under oath, what does that mean to you?
A. It means I have an obligation to tell the truth and the whole truth.
Q. And do you have an understanding that the testimony you give today can be used in a court of law and even at trial under some circumstances?
A. Yes, sir.
Q. Okay. And as you sit here today, do you have any conditions or have you taken any medications that could affect your memory or ability to testify?
A. No, sir.
Q. So can you tell me what your home address is?

A. Sure.
[redacted]
Q. Tell me what your work address is currently.
A. It's 900 Danbury Road, Richfield, Connecticut.
Q. So today we're going to be talking mostly about your time at a company called Watson and then its successors.
I guess, starting out, you graduated from Rutgers; is that right?
A. Yes, sir.
Q. What year was that?
A. '92.
Q. After graduating from Rutgers, what did you do?
A. When I graduated -- during my time at Rutgers, I graduated with a degree in administration of justice. I come from a large police family, and I was probably going to go into the family business. But while -- during my time at Rutgers, being in New Brunswick, New Jersey, I had an opportunity to have an

internship with Johnson & Johnson within their corporate security department. And I had some outstanding mentorship there. And when I graduated, had the opportunity to be a security manager for one of their operating facilities in Titusville, West Trenton, New Jersey, Janssen Pharmaceuticals. It was a headquarters location. And --
Q. For how long did you work at Johnson & Johnson?
A. Seven years.
Q. So when you left Janssen, what -- as you think of it, what was your job title?
A. When I was at Janssen, I was a security manager.
Q. When you were security manager there, did you work with controlled substances?
A. No, sir. It was a corporate environment.
Q. So moving on from Janssen, where did you go next?
A. I went on to -- I went on to take an opportunity with Lockheed Martin, a large defense contractor that -- in South Jersey. I

took a position as a security program manager for a classified naval weapon systems programs.
Q. And then at some point, did you leave Lockheed Martin?
A. I did.
Q. Where did you go?
A. I went to Watson Pharmaceuticals in 2002.
Q. So at Watson, where -- when you started at Watson, where did you work?
A. I worked -- I was hired as the manager of security for -- we had a manufacturing facility in Carmel, New York, which is in Putnam County. And we had a distribution center in Brewster, New York, as well as a small research and manufacturing facility in Danbury, Connecticut. They were all in close proximity to each other.
Q. Did you split your time among those three locations?
A. Yes.
Q. And, subsequently, did you take a different position at Watson?
A. I did. I did. Well, as I -- as --

during my time with those facilities, I eventually took on the responsibility for controlled substance compliance within an operational setting. So, so we did manufacture controlled substances at the manufacturing site.

And then eventually -- after seven years in that position, there was a consolidation within the organization, so we were transitioning, closing the facilities that I was supporting, moving some of our easier to replicate products and Schedule III through V substances to a facility in India and also some Schedule II products to our Corona facility in California. And our distribution center was folded into our distribution center in the Chicago area based -- after the consolidation, I took a position in Morristown, New Jersey, at our corporate headquarters, where I was a -- the -- had made an organizational decision to fold the DEA compliance function from -- transition that from quality into the operations group because of the synergies of -- with security -- with security and the DEA regulations, because of my background with DEA compliance and really

doing a good job, a very good job with the program and having a good relationship with DEA and having a high-functioning program, they asked me to take on responsibility for a larger role of DEA compliance at their headquarters location.

Q. All right. So as we're going through today, the court reporter is going to type down everything that you say.

A. Sure.

Q. And so if we have a complicated word or if we have a long statement, I want you to speak freely, but if you can pace yourself just so we make sure we get a good record.

A. Sure, sure.

Q. So as you think about the time where you moved to New Jersey, about what time frame was that?

A. 2009.

Q. And when you moved to New Jersey, as you think of it, what was -- do you remember what your job title was?

A. Manager of security and controlled substance compliance, I believe, or something to

that --

Q. Okay. And you had mentioned that the Schedule III through V drugs that Watson made had been -- let me start over.

You had mentioned that the manufacturing center for the Schedule III through V controlled substance drugs that Watson made had been moved to India.

A. Some of the easier to replicate, like single-entity products, immediate-release products. Some of the more technological, you know, controlled, sustained-release products, those probably wouldn't go over, but...

Q. Do you remember whether -- well, let me start over.

Do you remember where Watson's Schedule II controlled substances were manufactured, if anywhere?

A. Corona, California, would have been one of the prime locations.

Q. As part of your job, did you -- let me start over.

In 2009, as part of your job, were you the head of security group for or did you

oversee the security group in Corona, California?

A. No. I was part of a structure where there was a global executive director of security and DEA affairs. I was a manager -- I had regional responsibility in that I ensured that there was security controls in place that were in compliance with the DEA requirements. But each site had a responsible security manager responsible for their operations.

Q. As you think of it, when you started working for Watson in New Jersey, do you remember who was head of security in Corona, California?

A. At that time, it was Eric Nibergall.

Q. Can you spell his last name?

A. N-i-b-e-r-g-a-l-l.

Q. At any point while you were working at Watson or Actavis, did that position change hands did somebody replace Mr. Nibergall?

A. Yes, yes.

Q. Who replaced him?

A. Scott Soltis, S-o-l-t-i-s.

Q. And then did anybody replace

Mr. Soltis?
A. Not during my tenure.
Q. All right. So today we're going to talk about -- well, let's keep going.
You worked at Watson in New Jersey starting, I think you said, in 2009?
A. Um-hmm.
Q. And then at any point, did you, did your position change at Watson?
A. I eventually went, moved from a manager position to associate director, but a lot of the same responsibilities.
Q. And about when was that?
A. 2013. Just speculating there.
Q. And then did your job change at Watson after then?
A. No.
Q. And then at some point, Watson changed its name; is that right?
A. Right.
Q. What did it change its name to?
A. On October 31st of 2012, Watson acquired Actavis Pharmaceuticals and took the unprecedented step of acquiring the company but

taking their name. And that was because of -- I think one of the reasons for the acquisition was to have a more global presence. And Actavis had an established international presence under that name.
Q. So when Watson bought Actavis, as you think of it --
A. Um-hmm.
Q. -- did your duties expand at all?
A. In the respect that we were bringing on additional manufacturing facilities and some, some new controlled products, so, yes.
Q. And then at some point after that acquisition closed, did you -- well, did your job title change?
A. No.
Q. Did you leave what was then called Actavis at some point?
A. I did.
Q. When did you leave?
A. I left 2015 -- 2016. I was part of -- when Teva acquired Actavis, they had already had a robust DEA compliance program and staff, so we were a synergy target. So

essentially I helped them through the transition and then I was part of the reduction of force.
Q. And then between -- well, where do you work now?
A. I work for Boehringer-Ingelheim.
Q. All right. So you have to spell those two words --
A. Oh, boy.
Q. -- because I think they're German.
A. We just call them BI, but B-o-e-h-r-i-n-g-e-r, hyphen, I-n-g-e-l-h-e-i-m.
Q. And what is Boehringer-Ingelheim?
A. Boehringer-Ingelheim is a large, private, still family-owned by the Boehringer family pharmaceutical company specializing in human pharma, as well as animal health.
Q. You said human pharma. What does that mean?
A. Human pharma, so products that are taken by humans.
Q. Oh, as opposed to animal health?
A. Correct.
Q. All right. What is your job there?
A. I am the head of security and crisis

management for the United States region.
Q. Is Boehringer-Ingelheim based in the United States?
A. We have a U.S. headquarters in Ridgefield, Connecticut, but our corporate headquarters is Ingelheim, Germany.
Q. With regard to Boehringer-Ingelheim, do they manufacture or market any Schedule II controlled substance?
A. No, sir, no controlled drugs in the portfolio.
Q. So as we move on today, we're going to be talking about some terms and names. I just want to go through them with you initially so we can get a common understanding.
A. Sure.
Q. One of the terms that's going to come up today is "Suspicious Order Monitoring" or "SOM" or "SOMS."
What does that mean to you?
A. Suspicious Order Monitoring is a, to me, it's a holistic program that is mandated through DEA requirements to ensure that you're ensuring that your products are not winding up

in illicit channels; that you have safeguards in place to ensure that you know your customer and that you are monitoring ordering behavior of your customers to prevent illegal diversion.

Q. And then another term that we're going to talk about a little bit is N-J-P-I-G, the New Jersey Pharmaceutical Industry Group.

Have you ever heard of that?

A. I have.

Q. What is --

A. I'm part of it.

Q. What is that?

A. That was a group of New Jersey-based, for the most part, controlled substance manufacturers that we met on a regular basis to, you know -- because something, you know, like DEA compliance or controlled substance compliance is not something that is a proprietary thing; it's something that we, you know, collaborate on as an industry as much as we can. So it was a forum in which we could exchange ideas and share best practices, as well as identify opportunities to partner with our local DEA and find opportunities where we could

work together to, to prevent diversion.

Q. So could you pronounce the acronym NJPIG, how you would say it?

A. NJPIG. It's kind of an awkward acronym so, yeah.

Q. Right.

So -- and then the next one that we are going to talking about is a thing called chargebacks, chargebacks data.

Do you know what that is?

A. I do have an understanding of what chargeback is, yeah.

Q. Okay. What is a chargeback?

A. Chargeback is a -- and I'm -- and this is more layman's terms because I'm not a commercial side of the house kind of person, but to my understanding, chargeback is when a customer or -- has a negotiated price with you, and if they were to purchase your product from someone at a higher price, they would submit a chargeback for a rebate for the difference in that cost.

Q. All right. And then the next one is a -- it's actually two, because I think it

changes through time. It's IMS and IQVIA data.

Are you familiar with that?

A. I'm familiar with IMS.

Q. What is IMS, as you think of it?

A. IMS is an organization that deals in data and gathering industry data and providing that data to industry. Largely used by our sales and marketing groups.

Q. All right. So today --

MR. EGLER: Can we go off the record for one second?

THE VIDEOGRAPHER: The time is approximately 9:21 a m. We are going off the record.

(Off the record.)

THE VIDEOGRAPHER: We are back on the record. The time is approximately 9:22 a m.

BY MR. EGLER:

Q. Mr. Napoli, as we move through today, I'm going to be handing you documents. To the extent -- well, every document that I'm going to hand to you has been produced in this litigation.

A. Um-hmm.

Q. And they'll have various Bates numbers on them on the bottom right-hand corner, and I'll read them into the record. And I'll try to, to the extent I think any context is needed, I'll tell you what I think the context is from my data.

To the extent you need any context or you have any questions about the documents, just ask and I'll see if I can get the answer for you.

A. Sure.

Q. So with that said, I'm going to hand you what we'll mark as Exhibit 1.

(Napoli Exhibit 1, Memo dated 11/13/08, Bates-stamped ALLERGAN_MDL_03535130 through 5133, marked for identification, as of this date.)

BY MR. EGLER:

Q. Mr. Napoli, can you look at Exhibit 1?

A. Yes.

MR. EGLER: And for the record, I'll note that the first page doesn't have a

Bates-stamp, but the second page is Bates-stamped Allergan_MDL_03535130 and it goes to 35133.

BY MR. EGLER:

Q. And can you look generally at this, and when you're ready, just tell me and I'll ask you some questions about it and tell you what I know about it.

A. Okay. You want me to look at the second page?

Q. Well, just look through it generally. You don't have to read it or anything. I'm going to ask you to read parts of it.

(Witness complies.)

A. Okay. All right.

Q. All right. So the first page of this document is -- again, it does not have a Bates number on it. I'll tell you it's a printout of what's referred to as the metadata for this.

A. Okay. Got it.

Q. And it has various data on there. One of them is, under Document Identification, it says "custodian" and then a colon and "Napoli, Tom."

Do you see that there?

A. Um-hmm.

Q. And in the context of this case, my understanding is it is a document that comes from your files.

A. Yes.

Q. So with that in mind, as you think about the remaining pages of this document, do you recognize this document?

A. It appears to be a document that I authored.

Q. Do you, as you sit here today, do you remember typing up this particular document?

A. This particular document, no. But it wouldn't be uncommon for me to attend a controlled substance seminar and report back a summary to management and...

Q. And just so we're clear, so I can put it in perspective for the record, the date on the document is November 13th, 2008, which is just a little over ten years ago, right?

A. Um-hmm.

Q. So do you remember in 2008 in May and June attending a controlled substance conference

and meeting of the New Jersey Pharmaceutical Industry Group?

A. I don't remember the specific meeting, but I attended this particular conference consistently almost on an annual basis.

Q. All right. So the conference that you referred to in this document is the controlled substance conference sponsored by Cegedim-Dendrite, and it's C-e-g-e-d-i-m, dash, D-e-n-d-r-i-t-e.

Do you see that there?

A. Yes.

Q. What is Cegedim-Dendrite, as you think of it.

A. Cegedim-Dendrite is an industry consulting organization. We actually -- the consulting firm that would host these events was -- Cegedim-Dendrite is almost synonymous with a consulting firm called Buzzeo Associates. So they're essentially interchangeable, but Buzzeo Associate is a industry controlled substance FDA type of expert consultant group.

Q. As you think of it, I think you said

you attended this --

A. Um-hmm.

Q. -- often.

When would have been the first time you would have attended the controlled substance conference sponsored by Cegedim-Dendrite?

A. Probably in the mid-2000s, but I couldn't attest to a date, specific date, sir.

Q. All right. And you had mentioned the name Buzzeo?

A. Yes.

Q. Is there a Mr. Buzzeo?

A. Yeah. Ron Buzzeo.

Q. Did do you know Mr. Buzzeo?

A. I do.

Q. How do you know Mr. Buzzeo?

A. Through seminars and also we had utilized their -- their services from time to time for compliance support.

Q. So going down through that first paragraph, it talks about the conference, and then it talks about the New Jersey Pharmaceutical Industry Group. And you write, "The New Jersey Industry Group meeting was

facilitated and attended by a cross-section of pharma partners engaged in controlled substance activities throughout the northeast region."

Do you see that there?

A. Yes, sir.

Q. Do you remember, as you sit here today, attending that particular meeting?

A. I don't.

Q. Do you have a memory that that was the first meeting of the New Jersey PIG?

A. I don't -- I don't believe it was the first meeting.

Q. So this memo, as you think of it, the "to" and "from" lines at the top are blank.

Do you know whether you ever sent this to anybody or whether you kept it for yourself?

A. Looking at the date, it would have been prior to taking the position at corporate headquarters. I would have likely have sent this to my boss, Eric Nibergall. And perhaps if I -- I was working at a manufacturing site, probably our site general manager.

Q. All right. As you think about this

time, November 2008, who was your site general manager?

A. An individual by the name of Tom Strohl, S-t-r-o-h-l.

Q. So going down further into this memo, there is a discussion of "areas of interest/concern"?

A. Um-hmm.

Q. And then it says "Quota"?

A. Yes, sir.

Q. And there is a discussion of quota?

A. Um-hmm.

Q. What does that term "quota" mean to you in the context of your work?

A. The way that the DEA ensures compliance and mitigates the opportunity for diversion is to maintain a closed system, what they call a closed system of distribution. And that closed system distribution starts with a process, a quota process for Schedule II controlled substances and III narcotics, such as hydrocodone, where there is a -- based on a lot of research that DEA does and also input from FDA, as well as looking at abuse data, emergency

room record -- data, all types of big data to determine what is called an aggregate quota for the United States issuance of a quota for a particular molecule for a controlled substance.

So they'll look at sales data from each one of the companies, what was consumed over the year, the prior year, and they would make a decision where they would come up with an aggregate of a particular molecule. It could be oxycodone, hydrocodone, et cetera, which would be divided up among industry.

We would have -- API manufacturers would have a quota called a "manufacturing quota" where they could synthesize and develop an active pharmaceutical material like the raw material for OxyContin.

At the manufacturer level, where we were at, we would have what's called "procurement quota" where we would of, based on our -- we would do an end of year report and make an application to the DEA based on our prior sales, provide them with all of our sales history. They would do a review, and they would grant you a quota to, to manufacture for a given

year. And that quota could be a adjusted midyear or throughout the year based on your sales. If you acquired new business, you could apply for more quota. If business dropped off, you may, there are opportunities where you could have perhaps surrendered quota if you didn't need it. But it was -- that's essentially in a nutshell what the quota system is.

Q. So as you think about it, around this time, end of 2008, when you were at Watson, did you have any responsibility for applying for or managing the quota that Watson got for any controlled substances?

A. Not at the time of this memo. But in 2019, when I assumed my role at corporate headquarters, I did have responsibility for, for that aspect of the business. I had an individual who worked for me who was just dedicated to quota administration.

Q. And I think you said 2019.

A. 2009. I apologize.

Q. Okay. That's fine.

And just so you know, at the end of the deposition, if anything like that happens,

neither of us catch it, you'll have the opportunity to correct anything --

A. Okay.

Q. -- with no problem?

A. Okay.

Q. So with regard to the quota process, you said you managed someone who was responsible for the quota?

A. Right.

Q. Who was that?

A. Bill Hepworth.

Q. And that's?

A. H-e-p-w-o-r-t-h.

Q. And beyond managing Mr. Hepworth, did you have any involvement in the negotiation or application of a quota for Watson?

A. I definitely reviewed the applications and provided input for those applications.

Q. All right. Anything else?

A. No, not necessarily.

Q. All right. So moving on into this document, on the following page, on 131, about a little bit more than halfway down, there is a

paragraph that you wrote that says, "During the NJ Pharmaceutical Industry Group meeting, a proposal was made to draft a letter from industry to the DEA outlining the current situation and its affect on the industry. The letter will be a documented record of the industry's desire for change and efficiency within the current process to adequately meet market needs. The letter will only be sent upon the affirmation by the represented organizations's legal and government affairs functions."

Do you remember having a discussion at the 2008 New Jersey Pharmaceutical Industry Group meeting about potentially writing a letter to the DEA?

A. I do not have a recollection of that.

Q. All right. And then -- I apologize for going backwards.

A. No worries.

Q. Further up in this document, there is a number of references to a person by the name of Joseph Rannazzisi?

A. Yes.

Q. R-a-n-n-a-z-z-i-s-i.

Do you know who Mr. Rannazzisi is?

A. Yeah, Mr. Rannazzisi was the deputy administrator, DEA diversion.

Q. Did you ever meet Mr. Rannazzisi?

A. I did.

Q. When did you meet him?

A. I met him at a conference that he spoke at in Edison, New Jersey. I don't recall the date.

Q. Was it while you were working at Watson?

A. Yes.

Q. Do you think it was around this time 2008 or later?

A. I can't speculate to that.

Q. So with regard to Mr. Rannazzisi, do you remember discussions of a one or two or more letters that Mr. Rannazzisi wrote about the opioid situation in the United States?

A. I don't recall specific letters, but...

Q. Okay. So we'll probably talk about them further. And I'll -- to the extent we talk

about them, I'll show them to you.

A. Yeah.

Q. All right. So if you can turn to the next page, which is 5132. And at the bottom of the previous page and at the top of this page, it's talking about SOM.

Do you see that there?

A. Yes, sir.

Q. And is SOM, as you think of it, the Suspicious Order Monitoring systems?

A. Yes.

Q. And you write that "It is highly recommended that industry utilize a 'total SOM model.' This model favors a more statistically-based model that dynamically evaluates a variety of order characteristics to determine whether an order should be pending. Characteristics include order size, ordering frequency, ordering patterns and percentage of CS ordered."

"CS" there is controlled substance; is that right?

A. Correct.

Q. And then it says, "This approach is

viewed to be more effective and defensible than the traditional approach of just setting a threshold."

Now you write there that it is "highly recommended."

From the context of this memo, take your time, can you see where -- where you came to that conclusion that it was highly recommended?

A. It was highly recommended by the Cegedim-Dendrite group.

Q. Okay.

A. To put it in context as well, too, you have to understand they're, as a consultant group, they're selling a product as well, too, for compliance.

Q. All right.

And so then going down here, it says, "The following concepts are to be considered when developing an effective SOM: How are new accounts opened, background check, Know Your Customers." And then a bullet point, "How are orders evaluated," and then a bullet point, "How are orders cleared from suspicion, appropriate

investigation, resources/SOPs."

And in the context of this document, what does the term "SOP" mean?

A. Standard operating procedure.

Q. And then a bullet point, "Who reports suspicion order to DEA, management oversight," and then a bullet point, "Do third-party distributors utilize an adequate SOM."

Do you see that there?

A. Yes, sir.

Q. So that last one, "Do third party distributors utilize an adequate SOM," what does that mean in the context of this document?

A. That, to me, implies that, you know, and it comes back to me to know your customer, that ensuring that your supply chain partner that you distribute your products to that they have an effective system in place that's compliant with DEA regulations.

Q. And with regard to this discussion here with these bullet points that I've been reading, it says "Know Your Customers"?

A. Yes, sir.

Q. And in the context of your work at

Watson, the customers that are referred to there, who are they?

A. Distributors or large chains such as Walgreens, CVS.

Q. Walgreens and CVS would essentially distribute to themselves, is that fair to say?

A. Right, to their own pharmacy locations.

Q. So with regard to the third bullet point there, it says, "How are orders cleared from suspicion."

A. Um-hmm.

Q. Can you tell me what that means in the context of this document?

A. Sure.

And within the context of, of this document, if you have an order that pens with or flags within a given system, you know, what steps do you take as a registrant to understand that ordering behavior and subsequently justify why that order is out of -- is not consistent with an ordering pattern. It could be because a company took on more business, another manufacturer had an issue for the same product

and they're coming to you for an increase. There could be a variety of reasons why an order increased.

So really taking a deeper dive to understand why the change in behavior.

Q. All right. Then moving further down in the document, it states, "DEA shifted operating philosophy."

Do you see that there?

A. Yes.

Q. It says, "Field offices becoming less 'friendly,' shifting from partners to enforcers."

A. Yes.

Q. Do you have a memory or an understanding of where you got that information?

A. That would have come from a -- the Cegedim or the Buzzeo group was comprised largely of former DEA high-ranking officials, policy and liaison folks within management that still had contacts, and as well as I can see in here that Mark Caverly and James Crawford, both from DEA, spoke at this conference. And that there was a shift in -- there was more trends of

more aggressive enforcement because of some of the abuse patterns that were existing in the country.

Q. By this time in 2008, for about how long had you been working or encountering issues with the DEA in your work?

A. Up to that point, I didn't have any issues with the DEA.

Q. Just when you say you didn't have any issues, it means your work didn't have any --

A. Are you talking about -- can you provide context to "issue"?

Q. Right.

A. Is it negative issue or just dealings with DEA?

Q. That's what I want to get a better word for.

So as you think about your work up to this point, the end of 2012, did you have any responsibilities for enforcing DEA regulations in your job?

A. Well, you used the term "2012."

Q. I'm sorry. 2008.

A. Okay. 2008.

In 2008, I was responsible for compliance within our manufacture and distribution sites in -- locally in New York, yes.

Q. And as part of that compliance process, would you be responsible for preparing the sites for audits by the DEA?

A. Yes.

Q. As you think of it, in your time up to this point, end of 2008, before you moved to New Jersey, about how many DEA audits did you participate in for Watson?

A. Several. We -- the way that the DEA audits is based on your registration, so -- and the cyclical audits could be -- they can range from three years to sometimes five years.

If you have a violative past or a history, you can get an inspection every year.

We were on a three to five-year inspection schedule, but because we had multiple registrations, so we had manufacturer registration, I believe we had import registrations, research, each one of those registrations are subject to an inspection on a

periodic basis. So probably every couple of years or so, we would see the DEA in for a cyclical inspection, it would be called.

Q. All right. So moving further down onto this page, which is page 3 of the document, page 132 of Exhibit 1, it states, "Contributing Factors," colon, and then in quotations, "the perfect storm."

Do you see that there?

A. Right.

Q. And you write a series of five bullet points: "Non-medical use of pharmaceutical products now greater than the abuse of cocaine, hallucinogens and inhalants" --

A. Right.

Q. -- "among adults 26 or older. Seven million Americans reporting non-medical use of prescription medicines in 2006."

Next bullet point is: "Presidential mandate to cut drug use, enforcement efforts have been highly successful in areas of illicit drug use, yet one category is rising, prescription medicines. Clandestine methamphetamine production, 'shut down in U.S.,'

mainly in Mexico now."

And the next one is: "Proliferation of Internet."

Next one is: "Congressional interest, children dying, tremendous cost to society."

And the last bullet point is: "Dwindling DEA resources."

So as you think about the information that you convey there in this memo, where would you have gotten that information?

A. That would have been from a presentation directly from the Cegedim-Dendrite conference. It may have come from, from their, one of their presentations or one of the speakers from DEA.

Q. And then you state that the -- well, the next thing you state is, "Result," and a colon, and it says, first bullet point, "Application of traditional principals of enforcement industry."

And then the next bullet point is: "Enforcement focus - commingling of enforcement agents and diversion investigators and single

enforcement group at all field offices. 400 diversion investigators in the world, more than one million registrants, 5,000 special agents currently hiring."

A. Yes.

Q. And then the next one is: "All policy decisions made by HQ."

So, again, where would you have gotten that information?

A. Again, it probably would have come from either Mr. Crawford or Caverly from DEA.

Q. The statement there, it says, "All policy decisions made by HQ."

What does that mean?

A. That the policy decisions for, as I would interpret this, enforcement actions would be made in the Washington, D.C., level, not at a local field office.

Q. All right. And then on the next page, at the bottom of that page, the next page talks about two people from the DEA, James Crawford, who is special assistant, Office of Diversion Control, and Mark Caverly?

A. Caverly.

Q. Section chief, Office of Diversion Control.

Do you remember meeting Mr. Crawford or Mr. Caverly?

A. I do remember meeting Mr. Crawford. And Mr. Caverly, I know very well.

Q. So how do you know Mr. Caverly?

A. Mr. Caverly, I knew him when he was head of policy and liaison with DEA. And he was someone that you would reach out to if you had any questions about interpretation of federal regulations, which sometimes, as you know, can not be clear at all times. So he was a resource to reach out to to get clarification.

As well as when he retired from DEA, he actually became one of the head consultants for Cegedim/Buzzeo. So I've known him for many years.

Q. Do you remember when about he retired?

A. I don't. It might have been right around this time period within -- give or take a year.

Q. How about Mr. Crawford, do you

remember him?

A. I do.

Q. How did you know Mr. Crawford?

A. Just from the one meeting at this conference, I believe.

Q. All right. Mr. Caverly, as you think of it, when was the last time you talked with him?

A. I haven't worked for Actavis -- probably three years ago.

Q. All right. You can set this document, Exhibit 1, aside.

(Witness complies.)

(Discussion off the record.)

BY MR. EGLER:

Q. And at the end of the day, the court reporter will take all the documents that are marked with the actual stickers and keep them.

A. Okay.

Q. No souvenirs.

A. Parting gifts.

(Laughter.)

Q. Mr. Napoli, I'm going to hand you what we'll mark as Napoli Exhibit 2.

A. Okay.

(Napoli Exhibit 2, NJPIG Charter Statement, Bates-stamped HDS_MDL_00095906 through 5907, marked for identification, as of this date.)

BY MR. EGLER:

Q. What we marked as Exhibit 2, I'm just going to tell you, at the bottom right-hand corner, there is a Bates number. It says HDS_MDL_00095906. And I want to be clear, this document did not come from the files of your former employer or your own files.

But that said, do you remember ever seeing this document before?

A. Yes.

Q. Okay. What is it?

A. It's a charter statement for the New Jersey Pharmaceutical Industry working group essentially stating what the goals of the working group is, as well as -- I'm trying to think of this. There was a document about, you know, not sharing proprietary, confidential information. I don't know if that's within this document. But this is just essentially the

charter and the mission of what our, our group was put together for.

Q. And as you think about your involvement in the New Jersey Pharmaceutical Industry Group, how many people from Watson in 2008 were involved in the NJPIG?

A. In 2008, certainly I was a new member to the team. I think probably Tracey Hernandez, who was our head of DEA compliance at the time, would have been a member.

Q. Anybody else?

A. I'm not 100 percent sure, but some people within her group may have been members.

Q. So as you think of the entity, the New Jersey Pharmaceutical Industry Group, did you know anybody from other companies that were in the group?

A. Yes.

Q. Who did you know, as you think about it just off the top of your head?

A. Mike Mejjiolaro, and I don't even know if I can spell that name.

Q. Anybody else?

A. I'm trying to think. It's -- we're

going back now, and I know that there were individuals from Novartis, but I'm struggling with some of the names.

Q. With regard to the companies like Novartis, can you think of any other companies that were participating in the New Jersey Pharmaceutical Industry Group around this time?

A. Novartis, Halo Pharmaceuticals. Yeah, I'm actually struggling with that, with some of the names.

Q. Have you ever heard of a company called Endo?

A. Yes.

Q. Do you remember anyone from Endo being part of the NJPIG?

A. Not at that time. They may have been a member. I don't know who would represent them at that time.

Q. As you think about it, about this time, June 2008, again, just as you think about it, about how many members of the NJPIG were there?

A. I couldn't speculate. I mean, if I said a dozen, I --

Q. But you don't have any particular feeling either way?

A. No.

Q. All right. So this charter statement has various text on it. And part of it is bullet points. And it says: "The goal of the New Jersey Pharmaceutical Industry Group is to increase compliance with DEA requirements through the shared knowledge and experience of group members."

A. Yes.

Q. And then it states: "All information shared in the meeting is confidential. If you use an idea that was presented at a meeting, it should not be attributed to any specific company. We do not publish meeting notes."

And then it says: "Each company/member is expected to volunteer to host a meeting when it is their turn. We have about two meetings a year. The location is chosen by the host company. Each meeting we ask for a volunteer for the next meeting. Attendance by multiple persons from the same company may need to be limited based upon the room size."

And then it states: "Invitation for speakers from state or federal agency and/or suppliers is after discussion with the group."

All right? Do you see that there?

A. Yes, sir.

Q. Now you are -- or I just read the second bullet point, "All information shared in the meeting is confidential. And if you use the idea that was presented at a meeting, it should not be attributed to any specific company. We do not publish meeting notes."

Do you remember whether you took notes at meetings of the New Jersey Pharmaceutical Industry Group?

A. I don't recall if I took notes at those meetings.

Q. And you regularly attended the meetings of this NJPIG, right?

A. I wouldn't say regularly. It was probably intimately, when my schedule allowed it.

Q. Okay. When you did not attend a scheduled meeting of the NJPIG, would someone attend for you?

A. In this time frame, no.
Q. How about later on?
A. Later on, probably, yeah.
Q. As you think of it, who would have been the person who would have attended for you?
A. It could have been any of the -- it could have been Bill Hepworth. It could have been one of our auditors.
Q. All right. And then you mentioned one of the other people from Watson who may have been involved in this was woman by the name of Tracey Hernandez, right?
A. Yes, sir.
Q. Was Tracey Hernandez, did she work in New Jersey at this time?
A. Yes.
Q. And when you moved into the reorganized DEA affairs and security part of Watson, what did Ms. Hernandez do?
A. She was actually, because of the organizational change to fold the organization from quality into the security and operations organization, she was transitioning out of the organization. So I think when I came in, she

was transitioning out over a six-month period.
Q. Do you remember whether she stayed employed at Watson at the end of the six-month period?
A. I can't recall if she stayed the whole six months.
Q. She doesn't work at Watson -- well, do you know whether she ever left Watson's employment at some point?
A. Yes.
Q. Do you know when?
A. It would have been 2009.
Q. All right. So with regard to the New Jersey Pharmaceutical Industry Group, do you remember whether you ever hosted one of their meetings?
A. I believe we did host a meeting.
Q. Where did you host it?
A. It would have either been in our Morristown location, but we subsequently moved to Parsippany, so either one of those. I don't have a specific recollection of where we hosted it. I believe we did host one.
Q. So you mentioned Morristown, and it's

M-o-r-r-i-s-town, right?
A. Yes.
Q. And then Parsippany, New Jersey. Was it Parsippany, New Jersey, your offices at Actavis?
A. Yes.
Q. And Morristown was where Watson was; is that right?
A. Well, it was Watson and then Actavis. So it was -- Watson moved from their location in Morristown to Parsippany. And then after the acquisition of Actavis, it became the Actavis headquarters.
Q. Okay. So Watson moved to Parsippany?
A. Um-hmm.
Q. And then they bought Actavis?
A. Correct.
Q. All right. Okay. You can set this document aside for now.
(Witness complies.)
BY MR. EGLER:
Q. All right. And I'll hand you what we'll mark as Exhibit 3.
(Napoli Exhibit 3, Cegedim-Dendrite

document dated 10/21/08, Bates-stamped ALLERGAN_MDL_03535009 through 010, marked for identification, as of this date.)
BY MR. EGLER:
Q. So Exhibit 3, again, the first page doesn't have a Bates number on it, but starting on the second page, it's ALLERGAN_MDL_03535009 through 010.
Mr. Napoli, when you're ready, can you tell me what this appears to you to be?
A. This looks like a promotional or a summary of a service or a product that Cegedim-Dendrite was marketing towards industry to develop a statistically based model of Suspicious Order Monitoring.
Q. And, again, based on the information that we received in the litigation, this document came from your files.
A. Um-hmm.
Q. Do you remember this document?
A. Yes.
Q. What do you remember about it?
A. It probably, you know, came from either from the conference or post conference,

something that was, was sent to us or that I printed off for informational purposes.

Q. Do you remember around this time -- well, this document refers -- is dated October 21st, 2008.

A. Um-hmm.

Q. Do you remember around this time having discussions with anyone from Cegedim-Dendrite about their Suspicious Order Monitoring offerings?

A. Not in 2008 because I wasn't in the corporate role yet.

Q. Okay. So why would you have saved this document?

A. For educational informational purposes.

Q. All right. You can set this document aside.

(Witness complies.)

BY MR. EGLER:

Q. Now we're going to move on. I'm hand you what we will mark as Exhibit 4.

(Napoli Exhibit 4, Email chain beginning with email dated 6/8/09 from

Woods to Napoli, Bates-stamped ALLERGAN_MDL_ 02467143 through 154, marked for identification, as of this date.)

(Handing.)

A. Thank you.

Q. Mr. Napoli, can you look at Exhibit 4. And while you're looking at it generally, I'll read into the record the Bates numbers.

It's ALLERGAN_MDL_02467143 through 154. And I'm going to ask you some questions about this document.

A. Sure.

Q. Just let me know when you're ready. You don't have to have an understanding of all the information.

A. Okay.

Q. I just want to ask you some questions about it.

(Document review.)

A. Okay.

Q. So did you use email when you worked at Watson?

A. Yes.

Q. What was your email address?

A. I think it was TNapoli@Watson.com.

Q. Did you ever print out an email that you wrote or received while you worked at Watson?

A. I'm sure I have.

Q. As you think of it, would it have looked like the -- format-wise, looked like the document that we've marked as Exhibit 4?

A. I would think so.

Q. I'll represent to you that this document was produced to us by Allergan --

A. Okay.

Q. -- in this case.

And it's my understanding that it is an email. And at the top of the page, it says "from," and it has the name Mary Woods.

Do you know Ms. Woods?

A. I do.

Q. Who is Mary Woods?

A. Mary Woods was our head of order management.

Q. When did you first meet Mary Woods?

A. Most likely when I entered into my

new role in 2009.

Q. And there is a person there named Molly Martin.

A. Um-hmm.

Q. Who is Molly Martin?

A. Molly Martin, I believe, was someone who was a member of management within our quality team.

Q. I think you had mentioned that term "quality" before.

A. Um-hmm.

Q. In the context of your work at Watson, what does that mean to you, quality team?

A. The quality assurance organization is an organization that is very closely tied with ensuring compliance with FDA regulations and ensuring that we have a total quality system and that we are functioning according to FDA regulations.

Q. So is it fair to say there is a different group to ensure compliance with FDA regulations than there -- than there is a group to ensure compliance with DEA regulations?

MR. KNAPP: Objection to form.
MR. LUXTON: Objection.
BY MR. EGLER:
Q. Do you have an answer to the question? Sorry.
A. Yeah, there is -- there is both quality group and a DEA compliance group.
MR. LUXTON: Sorry to interrupt, but can we just have an agreement, because I objected at the same time, an objection for one defendant is an objection for all so I don't have to put the same objections on the record?
MR. EGLER: Yeah.
MR. LUXTON: It might be in the CMO.
MR. EGLER: It is. That's all covered.
MR. LUXTON: Great. Thanks.
MR. EGLER: We just need one. And you guys can have a button if you want.
(Laughter.)
BY MR. EGLER:
Q. For the quality assurance group and their role with regard to FDA regulations, we

talked about Ms. Martin.
Do you remember anybody else from that group?
A. From the quality group?
Q. Yes.
A. It's a very large group. Yeah, I do.
Q. About how many people were in the group, as you think of it?
A. I couldn't even speculate.
Q. Like dozens or less than ten?
A. More than -- more than a dozen. I mean, we had a corporate group, and then there were quality groups at the sites.
Q. And thinking of the DEA group -- let me start over because that was a little cumbersome.
As you think about the people at Watson that were responsible for making sure the company complied with the DEA regulations and laws, about how many people at the Watson headquarters when you started there had the primary responsibility for that?
A. About a half dozen.
MR. KNAPP: Objection to form.

BY MR. EGLER:
Q. And as you think about the half dozen, can you name some of them?
A. Bill Hepworth, Lynn DaCunha, D-a-c-u-n-h-a. Ione Graziosi, Jim Dougherty D-o-u-g-h-e-r-t-y, Sarah Blackenship. And we also had individuals at the sites that had compliance responsibilities as well.
Q. All right. With regard to each of those people, as you think about them, did any of them have primary responsibility for the Suspicious Order Monitoring System?
A. I believe Ione Graziosi.
Q. All right. That is a woman, right?
A. Correct.
Q. Do you know what her job title was when you started at Watson's headquarters in New Jersey?
A. Manager of controlled substance compliance, I believe.
Q. How would she -- what was her -- let me start over.
What were her job responsibilities at that time?

A. She would have been probably second, you know, kind of someone who supported Tracey Hernandez in her direct role. So oversight of, of the group. Probably had her oversight in various functions. So as far as licensing, registration, quota, Suspicious Order Monitoring, ensuring probably day-to-day management, where Tracey might have been a little bit more strategic in her role.
Q. And then as Ms. Hernandez transitioned out of her role, what did -- what, if anything, changed about Ms. Graziosi's role?
A. Essentially it stayed the same.
Q. Did she report to you at some point?
A. Yes.
Q. For about how long did she report to you at Watson and Actavis?
A. I'd say maybe a year.
Q. And then after the year that you're thinking of, what, if anything, happened?
A. She left the organization.
Q. Were her job responsibilities undertaken by somebody else?
A. We actually -- with me leading the

group, we actually brought in another individual who became an auditor investigator for us who took the primary responsibility for the SOMS, the Suspicious Order Monitoring role. And the other individuals really kind of just picked up the other responsibilities.

I managed the overall operation, as well as the strategic operations.

Q. So who was the person that you're thinking of that came in after Ms. Graziosi left?

A. It would have been Lisa Scott. She kind of came in during the time when Ione was there.

Q. And then for how long was Ms. Scott in that role?

A. Four or five years maybe.

Q. Do you remember --

A. If that.

Q. Do you remember when she left?

A. When she left?

Q. About the time?

A. I'd say 2012, 2013.

Q. Do you remember if anyone replaced

her in that role?

A. Yes.

Q. Who?

A. William Simmons.

Q. All right. And what was Mr. Simmons's role?

A. Will Simmons was, again, brought in as an auditor/investigator, so he had a primary role for the day-to-day, for the DEA compliance side of Suspicious Order Monitoring, Know Your Customer activities, any type of investigations, as well as audit.

Q. Was Mr. Simmons physically located in New Jersey for work?

A. Yes, sir. Yes.

Q. And as you think of it, by that time when you were working with Mr. Simmons, you were in Parsippany; is that right?

A. Yes, sir.

Q. As you think about the physical layout of the Parsippany business for Watson and Actavis, about how many stories was it?

A. Four.

Q. And what floor were you on?

A. Third.

Q. Do you remember, as you think of it, who else was on the third floor?

A. In Parsippany?

Q. And let me ask this a little bit better.

As you think about the Parsippany office building in the time that you moved in, how would you categorize the group that you managed or worked for? Would it be DEA affairs or something else?

A. DEA affairs.

Q. So about, as you think of it, about this time, about how many people in the DEA affairs group were located for work in the Parsippany building?

A. Everyone.

Q. And about how many people was that?

A. I guess about half a dozen folks there related to it.

Q. So beyond the DEA affairs group, can you remember any other groups that were on the third floor of the Parsippany building when you moved in?

A. There was labeling. There was a component of quality there, supply chain.

Q. Anything else you can think of?

A. Not in particular.

Q. All right. And I know this is a complete estimate, but as you think of it, about how many people worked on the third floor in the Parsippany building for Watson when you moved in?

A. A couple hundred.

Q. All right. Do you know whether Watson maintained a call center at the Parsippany building around the time that you moved in?

A. I don't believe there was a call -- I don't know if there was a call center in Parsippany. I know there may have been one in California. Not -- I can't speculate on that.

Q. All right. So let's go back to this Exhibit 4. And I'll -- I'll tell you that we met with Mary Woods and took her deposition last week --

A. Okay.

Q. -- and I'm going to try not to

characterize what she said, but I think my questions were being formed by my perception of what she said --

A. Okay.

Q. -- which might be different from your counsel's perception of what she said.

A. Okay.

Q. So rather than get into an argument about what she said, I'm going to ask you questions for you to answer.

A. Sure.

Q. So this first email, which is the last email in time, on Exhibit 4, Ms. Woods writes, "Hi, Tom. Need your feedback for Molly. The SOP below belongs to the call center but has many owners that supply feedback as designated in the left column. Several departments review to make sure we are in compliance.

"The current control substance compliance team requested an immediate change last month. We added their request to Section 1.11. Molly has a few questions in reference to these changes. Her questions are below.

"We feel it is critical to get your

input as this is transitioning over to you."

So she uses a couple terms there, the SOP, and I think we talked about what that meant.

A. Yes.

Q. And then she uses the term "the call center."

As you think back to around this time, 2009 at Watson, what was the call center?

A. She may be referring to the call center for sales.

Q. Okay. And then with regard to the controlled substance compliance team, do you recognize that as the group that you worked with?

A. Yes.

Q. All right. So when she talks about the "SOP below," as you look through this email, can you identify an SOP that's attached to it or a part of it?

A. Yes.

Q. All right. Where would that be?

(Document review.)

A. MDL_7151.

Q. All right. That's the last few pages. The page that you pointed to starts with the word "purpose."

Is that right?

A. Correct.

Q. And under "purpose" it states, "To assure distribution of controlled drugs is monitored for excessive use by an individual location using the DEA number as the identifier."

Do you remember whether this SOP was enforced when you started in -- when you started in your job at Watson around June 2009?

A. I believe it was.

Q. All right. So around this time, did you do a study or a review of the standard operating procedures of the Suspicious Order Monitoring System?

A. I'm sure that I did.

Q. How would you have done that, as you think of it?

A. I would have likely worked with, with Mary to get an understanding of the process, as well as folks on my team, to understand how it

worked from a systemic standpoint, as well as from a procedural standpoint in ensuring that we didn't have any gaps.

Q. Before this time, mid 2009, did you have any experience with Suspicious Order Monitoring systems?

A. Not in an operational sense, but I certainly had education and was familiar with Suspicious Order Monitoring.

Q. When did that education start?

A. Probably shortly after I joined the organization and took controlled substance responsibilities.

Q. So as you think about the suspicious order of management system at Watson at this time, what -- and "this time" being mid-2009 when this email was written, what part of it, if any, was your responsibility?

A. When I came on into this role?

Q. Yes.

A. I would have oversight to ensure that it was compliant with DEA regulations.

Q. And I want to talk for a little bit about the physical or mechanical processes

involved in the Suspicious Order Monitoring System, as you understand them.

A. Sure.

Q. So my understanding is that the Suspicious Order Monitoring System creates a, a limit on the size of an order based on various variables that will alert people at a company that an order is of interest or pending; is that right?

MR. KNAPP: Objection to form.

MR. LUXTON: Objection to form.

BY MR. EGLER:

Q. Is your understanding similar to that?

A. My understanding, that there is a system that was developed within our, our ERP, our enterprise resource and system SAP that would, based on a model that was designed, that would look at a six-month role in history, would develop an average -- it would rationalize ordering behavior. It would also look at different characteristics as markers, whether it was a particular class of trade of an organization or -- and a monthly average as

well, too, for those types of class trades. So various different parameters that would provide an average of ordering history, so not a static number. So it would be changing based on, on the ordering patterns, as well as their was a multiplier as well, too, that would provide a plus or minus tolerance, so to speak.

Q. So, again, thinking of the mechanical part or the process part of the Suspicious Order Monitoring System, you used the terms ERP and SAP system.

A. Um-hmm.

Q. How would the parameters for the Watson Suspicious Order Monitoring System be included in the ERP system?

Do you have an understanding?

And what I'm trying to ask is, as you think of the SAP systems that manages inventories and orders and everything --

A. Um-hmm.

Q. -- do you know who was responsible for putting the Suspicious Order Monitoring System in the process of the ERP?

A. The -- who built the process?

Q. Yes.

A. Who built the process, I think it was before my time, but it was a collaboration between order management, our SAP, IT folks, as well as controlled substance compliance would have been a project team member.

Q. So with regard to the IT people for the SAP system, can you think of any particular individuals that you would think would be primarily responsible for that?

A. I can't recall back that far.

Q. All right. And then when the system was in place in the -- let me start over.

When the Suspicious Order Monitoring System was in place in Watson's SAP system and an order pended, what would happen next?

A. If an order pended, it would be reviewed by a member of the order management team specifically dedicated to controlled substance ordering.

Q. Now that order management team that you mentioned, did they report to you?

A. No, they reported to Mary.

Q. And do you know about how many people

were on the order management team when you started in 2008?

A. No.

Q. As you think of it, was it more than a dozen?

A. No.

Q. Was it more than six?

A. Probably less than six.

Q. And then do you have an understanding of whether the, the number of people on the order management team at Watson increased while you were there and the company changed its name to Actavis?

A. I can't be certain, but I believe that there were additional folks that came on board.

Q. Do you remember the names of any people who were on the order management team?

A. Sandy Simmons was the manager. Victoria Lepore was in order management. Bettina Dwor, I think was and individual -- Bettina, I think it's D-w--o-r. I think she came on later. I know there was another individual or two, but I just can't recall the

names.
Q. So the people that you're thinking of, were they all located in New Jersey?
A. Yes, sir.
Q. All right. And do you have an understanding of, before you started, whether the entire order management team was it located in New Jersey or were they in New Jersey and other places?
A. You know, now when I think back on it, I believe Mary, as well as there was an individual, Judy Callahan, who worked for Mary as well too, they both came over from the Corona, California, facility. So that call center may have been in Corona, and it eventually transitioned to New Jersey.
Q. With regard to the -- let me start over.
With regard to Mary Woods, what was her role with regard to the order of the management team?
A. Mary had responsibility for customer -- customer service capacity, but also on the order management side, she would have been

responsible for ensuring the onboarding, the compliant onboarding of, of customers, you know, ensuring, you know, and, you know, the order management process for -- on the commercial side.
Q. You used the term "onboarding."
What does that mean in the context of your work?
A. Doing due diligence, vetting.
Q. So is that when Watson first took on a new customer or something else?
A. Yes.
Q. All right. And then -- can you think of any other responsibilities that Ms. Woods had?
A. No, I -- I can't speak to what her specific job functions are.
Q. All right. So you can set this aside for now.
MR. EGLER: You guys want to take a break?
MR. LUXTON: Yeah, it's probably a good time.
THE VIDEOGRAPHER: The time is

approximately 10:23 a.m. We are going off the record.
(Recess is taken.)
THE VIDEOGRAPHER: The time is approximately 10:47 a.m., and we are back on the record.
BY MR. EGLER:
Q. Mr. Napoli, thanks for coming back.
A. Sure.
Q. Can you pick up this, what we've marked as Exhibit 4, and turn to essentially the third to last page. It's ALLERGAN_MDL_02467152. In the top left-hand corner, it states "Responsibility"?
A. Yes.
Q. So as you look at this page, are these the processes contained in the standard operating procedure that we've been talking about before the break?
A. Yes.
Q. So in the upper left-hand corner under "Responsibility," it states, "Master data administrator."
Do you see that there?

A. Um-hmm.
Q. Is the master data administrator, as you think about it, about the same thing as the order management team we are talking about?
A. Yes.
Q. So as you go through the columns there, it says, "Action," and it has 1.3, 1.4 and so on. And it talks about various actions that are taken.
And, again, with the understanding that this email, it's Exhibit 4, is a decade old, I'd like to ask you about a couple of the actions that are listed there.
A. Sure.
Q. If you look at -- let's just go through the first one.
1.3 states: "If a processed order generates a SOMS excessive order flag in SAP," and then there's words in parentheses, "due to more frequent or larger than normal order pattern, master data administrator will generate a suspicious order controlled drug SOMS."
Do you see that there?
A. Um-hmm.

Q. And then it states, "The master data administrator will review the SOMS report and then, if warranted, contact the customer to confirm the quantity ordered, verify the reason for a larger or more frequent order."

The next one is: "Once this SOMS report is confirmed" --

MR. LUXTON: Can someone put the phone on mute? We're getting background noise.

BY MR. EGLER:

Q. "Once the SOMS report is confirmed and verified by the customer, the SOMS report is signed and marked with a reason code by the master data administrator and submitted to the manager for review and signature."

In the context of this document, do you have an understanding of who the manager would be?

A. It could have been, depending on the time, it could have been Julie Callahan. It could have been Sandy Simmons.

Q. Okay. So with regard to Ms. Callahan and Ms. Simmons, were they all, as you think of

it, in the customer service organization that we've been talking about?

A. Yeah, but on the order management side, yes.

Q. Okay. And as I'm thinking about it, as, as opposed to, or just to be sure, they weren't in the DEA affairs group at that time?

A. Right. They were a customer-facing group.

Q. Okay. So the next one there, the data -- "The master data administrator will be responsible to ensure that pending sales orders on hold due to suspicious order SOMS violation are investigated."

And then 1.7 is: "The matter data administrator will release pending orders due to SOMS violations by canceling the order or reducing the quantity per SOMS procedure."

And then the next one is: "If the SOMS violation cannot be resolved by cancelling the order or reducing the quantity, the master data administrator will escalate the suspicious order to the next level."

And then it goes to the term, "call

center management."

Do you see that there?

A. Yes.

Q. And it says, 1.9, under Call Center Management, "Determine if the order does or does not classify as suspicious."

And so, again, as you think about this time, June 2009, was the call center management group at Watson under the DEA affairs department or some other department?

A. No, they were within the customer service group.

Q. All right. And then on 1.10, it states: "If a valid reason, based on objective criteria does not exist, order will be deemed as a suspicious order and will not be filled. Report suspicious issue to controlled substance compliance department."

Now that controlled substance compliance department, is that your group?

A. Yeah. That was the group I was transitioning to at the time.

Q. Okay. And then the next one there, it states, on the left-hand side, "Controlled

substance compliance department." And 1.11 has words that are struck out and then words that are underlined that are supposed to be replacing the words that are struck out.

The words that are struck out are: "The controlled substance compliance department will be responsible for reporting the order to the Drug Enforcement Administration."

A. Um-hmm.

Q. And then the new words are: "Upon confirmation that the order is suspicious, the controlled substance compliance department will be report" -- "will be responsible for reporting the order to the Drug Enforcement Administration and the applicable state Board of Pharmacy. The Department of Regulatory Affairs will also report the incident to FDA within three business days."

Do you see that there?

A. Yes, sir.

Q. Do you remember this proposed change -- going back again, understanding it's ten years ago, do you remember that proposed change being proposed?

A. No.
Q. All right. And then do you remember whether that process that's underlined there was ever -- ever adopted?
A. It was.
Q. All right. Then the last one goes back to the master data administrator. It's 1.12. "File a copy of the SOMS report along with the customer purchase order and the suspicious order record file."
So with regard to these procedures that are listed there, as you think about them and as I read them, did some or many of the them change while you were at Watson and then Actavis?
A. Yes.
Q. So especially with regard to looking at the classification of determining if the order does or does not classify as suspicious, in this procedure, it's listed as being under the call center management's organization.
Did that change at some point?
A. Yes, because the decision to determine if an order was suspicious was

eventually handled by my DEA affairs group.
Q. And as you think about that change, and the decision being moved to the DEA affairs group, do you remember why that change was made?
A. I think we were the appropriate organization, being a compliance organization, to make that determination.
Q. Right.
Do you know when that change was made?
A. I do not.
Q. Do you remember ever having a discussion about making that change?
A. I do not.
Q. And as you think about the organization that this responsibility was shifted to, the 1.9 listed there, who in your organization would have been primarily responsible for determining if an order does or does not classify as suspicious once that responsibility was transferred to them?
A. There would be an investigation process that would be conducted by an auditor or investigator on my staff, and we would meet and

review the facts of the issue, and I would ultimately make the determination.
Q. So the auditor/investigator that you mentioned, how many -- during your time at Watson, how many auditor/investigators did you have?
A. Two primary. And we also had an individual who was part of our global security team who was a trained investigator who served as a backup.
Q. Who were the two primary auditor investigators?
A. We first had Lisa Scott and then Will Simmons. Our security auditor was Jeff Collins.
Q. So with regard to Ms. Scott and Simmons, were they ever in their respective positions as auditor investigators at the same time?
A. No.
Q. So with regard to the auditor/investigator role, as you think of it while you were at Watson and then at Actavis, there was one primary auditor/investigator at any given time?

A. Yes, sir.
Q. All right. And with regard -- as you think about it with regard to the processes that the auditor/investigator would undertake, once they were given an order to make the determination of, what would they do?
A. If there was an order that pended in the system of an order of interest that couldn't be resolved at the level by order management, our auditor/investigator would reach out to the customer, to the compliance person.
In some cases on the order management side, they're -- they might be talking to someone on the other side who is placing the order who is not necessarily a compliance person. So our person, our auditor, would pick up the phone. And we had strong relationships with all our customers. We knew who the compliance people were. We would reach out to the compliance person for that customer and have a conversation with them, explain that their order had pended, and try to ascertain or obtain justification.
Was there a new customer that came on

board, has there been an issue within the market, an inventory build for a launch or something, and try to ascertain what the business rationale was for the increase in the order.

Q. So with regard to the justifications that you're thinking of, when an issue was raised to the auditor/investigator level, if they reached out to the customer at any level, would they be required to have some type of documentary evidence or other evidence to demonstrate the facts that the customer was giving them?

MR. KNAPP: Objection to form.

A. I don't know if in all cases, but there -- you know, where we could obtain documented information, we -- we could.

Q. All right. You can set this document aside.

(Witness complies.)

BY MR. EGLER:

Q. And before we get to the next document, I wanted to ask you, before today, did you do any preparation for the deposition?

A. I met with the gentleman seated next to me, just to really go through what is entailed in a deposition, kind of the process.

Q. Have you ever given a deposition before?

A. Civilly. It would be many years ago.

Q. About when was it?

A. 1990s. It was a personal injury thing.

Q. Have you ever given testimony under oath in a court of law?

A. No, sir.

Q. All right. Did you talk with anyone other than your counsel about the deposition today?

A. My wife.

Q. All right. Anyone else?

A. No.

Q. Okay. So I'm going to hand you what we'll mark as Exhibit 5.

A. Can I correct -- I did have a conversation with Mary Woods.

MR. LUXTON: You should correct that, yeah.

A. I think that needs to be corrected.

Q. Sure.

A. Last week I had a half-hour call with counsel and Mary Woods regarding deposition.

Q. What did she tell you?

A. She was just looking for some clarification, procedural clarifications from when we administered the SOMS program. Nothing about the deposition.

Q. Is it fair to say she asked you questions in preparation for her deposition?

A. Correct.

Q. All right. Great. Thank you.

A. You're welcome.

Q. And I'll hand you what we'll mark as Exhibit 5.

A. Sure.

Q. Mr. Napoli, can you look generally at Exhibit 5. As you're looking at it, I'll read into the record. It's Bates-stamped ALLERGAN_MDL_03738524 through 8528.

(Napoli Exhibit 5, Document entitled "Customer Communication for SOMS," ALLERGAN_MDL_03738524 through 8528, marked

for identification, as of this date.)

A. Yes.

Q. When you're ready, I ask you, while you were at Actavis and Watson, did you ever use the, use Microsoft note taking program?

A. Not that I recall.

Q. We had a conversation last week with Ms. Woods about Microsoft OneNote, and this appears to be a document that's formatted as a OneNote document.

But that said, as you look at this document, it's dated -- the first entry at the top of the document is dated Wednesday, June 23rd, 2010.

A. Um-hmm.

Q. And it states, "Customer communications for SOMS."

As you read through this, it has the word or the name "Laura Pinti?

A. Um-hmm.

Q. Who is Laura Pinti?

A. Laura Pinti also worked in Mary Woods's group.

Q. Do you remember what her position was

around this time, mid-2010?
A. I don't.
Q. And Ms. Pinti writes, "Effective today, please implement the following format for all SOMS orders that require additional information from the customer."
Then it has, "Dear Customer," and then it says, "Merge Tom's email into this paragraph. Thank you for your recent controlled substance order. The order is currently under review. In effort to complete the review process, please take a moment to complete the following questions below that will assist us in completing the necessary review process. Your immediate response is required to expedited the order review procedure."
And then it states, "In accordance with CFR and then an ellipsis, and then it says, in parentheses, "Tom's paragraph."
Do you think the "Tom" they're referring to there is you?
A. Yes.
Q. All right. So do you remember having a discussion around this time of what type of

language be sent to customers when a SOMS order pended?
A. Sure.
In addition to the header that is indicated in the "Dear Customer" highlighted paragraph, the Tom's paragraph is essentially a verbatim quote from CFR 1301.74 which details a registrant's obligation to report orders of suspicious, order of pattern of frequency and size, and just detailing the regulations for the customers to why we're doing it. And it's a regulatory requirement. It needs to be complied with.
Q. All right. So then there are various entries underneath that paragraph and it says, "Reason for Increase." And then there are numbered explanations there. Two under "New Contract" and two under "Promotion" and two under "New Customer" and two for "Adding Product to Product Line."
Do you know who would have come up with that data there?
A. Likely Mary and her team.
Q. All right. And then going down

further in this page, it's highlighted there, it states, "Tie the 852 data to Suspicious Order Monitoring."
In the context of your work at Watson and Actavis, do you have an understanding of what that would mean?
A. 852 data in the parlance of SAP or it's called EDI, electronic data interchange, so it's a standard language or a protocol for a supply chain. I don't know if it's exclusive to, to the pharma industry. But essentially I believe 852 data tells you what a specific customer has on hand in their warehouse.
Q. As you think of the 852 data, would that be information about the -- Watson's direct customers or would it be information about the distributor's customers or something else?
A. Direct customers. We would only have access to that.
Q. And then go on to the next page of this document. It has the word "Tom's verbiage" there.
Do you see that?
A. Um-hmm.

Q. Do you remember writing that paragraph that appears there starting with, "In accordance with 21 CFR 1301.74"?
A. Yes.
Q. So this is June 2010, right?
A. Um-hmm.
Q. And at this time, you had been in your position with the DEA affairs group for about a year, is that fair to say?
A. Just about, yes.
Q. Before you started your position with the DEA affairs, what training, if any, did you have with regard to the Suspicious Order Monitoring processes?
A. Consistent attendance with the Cegedim/Buzzeo group, their education. And they spent a lot of time on Suspicious Order Monitoring. It was very important to them. Obviously as a consultant. But they provided excellent training.
Also the DEA on almost an -- at one time, was almost on an annual or biannual basis, the DEA would host conferences for the various registrant populations, whether it be

manufacturers, distributors, importers, exporters. And I attended consistently those conferences as well too dealing directly with the DEA in understanding the regulations and the expectations of the Drug Enforcement Administration.

Q. Can you think of any other training you had?

A. There may have been some other private industry training, but also, you know, certainly a large component of any job is on-the-job training as well too. So when my predecessor was transitioning out, as well as folks I had on staff, I would learn from them as well, too.

Q. Then after you took the job as the head of DEA affairs, did you have any further training on Suspicious Order Monitoring systems?

A. Just the continued education through Buzzeo, DEA, and practical experience as I got into the role.

Q. With regard to the NJPIG group that we had been discussing, at their meetings, did they discuss Suspicious Order Monitoring

systems?

A. I don't recall any conversations in-depth regarding systems or practices in place at -- for individual pharmaceutical manufacturers.

Q. All right. Do you remember whether that, the Suspicious Order Monitoring System was ever discussed as a topic at any NJPIG meeting?

A. It could have been a topic of -- Suspicious Order Monitoring, as a topic, could have been discussed at the meeting.

Q. Okay. All right. Turning further into this document, on the next page, it's 38526?

A. Yes.

Q. And it states, "SOMS Agreement," and it appears to be an email that you were cc'd on.

Do you see that there?

A. Yes.

Q. So I think we had talked about it before, but who is Lisa Scott?

A. She was a compliance auditor/investigator for our security and DEA affairs team.

Q. And then she writes an email to Victoria Lepore, L-e-p-o-r-e, and Larry E. Schaffer?

A. Schaffer.

Q. And she cc's Mary Woods, Laura Pinti, you, Lynn DaCunha, and Ione Graziosi -- can you --

A. Graziosi.

Q. That's G-r-a-z-i-o-s-i.

A. Correct.

Q. And she states, Ms. Scotts states, "FYI, as discussed during our 10:00 [sic] a m. EST meeting today, we have come to the following agreement. Any order placed on June 21st, 22nd, or 23rd by ABC, Cardinal, McKesson or HD Smith that is held by the system pending on SOMS review will not require customer contact for order justification and DEA affairs reviews. These orders may be released. This agreement applies specifically to these customers and order dates only."

Do you remember this email from Ms. Scott?

A. I don't.

Q. Do you remember --

A. It was a long time ago.

Q. All right. And do you remember this event that of June of 2010, for three days in June 2010, orders from four distributors would be not asked for justifications if they pended in the SOMS system?

A. I don't recall the specific event. But looking at the dates, it's just prior to 4th of July holiday. These are large customers. Likely not doing business over that period, so they may have been -- had a meeting with us as our customers to talk about we're going to be ordering quantities that are not consistent with our ordering patterns because we're building an inventory because we're going to be shut down, so they would be missing a normal ordering pattern. So I would -- it would be speculation, but that there was a conversation that took place where they discussed what those quantities would be and rationalizing them and understanding that next order cycle, there wouldn't be an order because it would -- it would flatten out.

So just discussing -- discussing the rationale prior to a holiday, it's not uncommon at the end of year or midyear.

Q. Do you remember whether this type of -- this type of process was used every year around the 4th of July holiday as you mentioned?

A. There, there typically were conversations with customers regarding when there was going to be a period of shutdown or an interruption to the normal order -- ordering pattern.

Q. So I think you mentioned the 4th of July and then the winter holidays.

Is there any other time of year that you can think of that this would occur?

A. Not necessarily, unless a product was seasonal. You know, you had some products that were, you know, during a particular cold and flu season or if -- children are going back to school, for certain products, there would be a seasonality, so increases might be out of the ordinary.

Q. And that leads me to the next question.

With regard to the SOMS system at Watson and then at Actavis, the SOMS system applied to every controlled substance drug; is that right?

A. Yes, sir.

Q. And that would be Schedule II through V; is that right?

A. Correct.

Q. And as you think of it, were -- was there any time at Watson or Actavis where one schedule of drug was treated differently from the other schedules of drugs by the Suspicious Order Monitoring System?

A. Within the Suspicious Order Monitoring System, it was all -- you know, a controlled drug was a controlled drug.

Q. So, for example, Schedule II drugs wouldn't be treated any differently from Schedule III, IV or V drugs?

A. Right.

Q. Do you remember whether particular opioids were ever treated differently from all the other scheduled drugs?

MR. KNAPP: Objection to form.

A. No.

Q. So just so we're clear, you don't think they ever were, or you don't remember either way?

MR. KNAPP: Same objection.

A. I don't recall.

Q. All right. You can set this document aside.

(Witness complies.)

(Napoli Exhibit 6, Email dated 2/2/10 from L. Scott to T. Napoli with attachment, ALLERGAN_MDL_ 01236063 through 6094, marked for identification, as of this date.)

BY MR. EGLER:

Q. I'm going to hand you what we will mark as Exhibit 6.

Mr. Napoli, can you look at what we'll mark Exhibit 6? While you're looking at it, I'll read into the record. It's ALLERGAN_MDL_01236063 through 6094.

When you're ready, can you tell me whether you remember ever seeing the document that appears on the second page of this exhibit through the end?

(Document review.)

A. I definitely recognize the document.

Q. So starting with the first page of this exhibit, page 063, is that an email from Lisa Scott to you?

A. Yes.

Q. And she sends it on Tuesday, February 2nd, 2010, at 11:47 a m., which says -- the subject is "Presentation," and it says, "Tom, see attached, Scotty."

A. Yes.

Q. Do you remember whether Ms. Scott sent you this particular presentation around that time, early February, 2010?

A. I don't have a specific recollection of it.

Q. So on the next page, page 064 begins the attachment to the email, which appears to be a PowerPoint presentation, and states, "DEA affairs organizational overview," and it says "Thomas Napoli, CCP, U.S. generics, February 2nd, 2010."

Do you see that there?

A. Yes.

Q. So did you make this presentation to somebody or a group of people in Florida in early February of 2010?
A. It's possible.
Q. Do you remember making this presentation to a group of people in early 2010?
A. I don't.
Q. Okay. So next to your name there, it says "CPP."
What does that stand for?
A. That is a board certification in security management from the American Society of Industrial Security, so the highest designation you can get in security management.
Q. So that designation from the American Society of Industrial Security, what was the subject matter of the certification that you received from them?
A. The subject matter were all aspects of physical security.
Q. Was the certification specifically related to pharmaceutical drugs?
A. No.
Q. As part of the certification, was

there any training on Suspicious Order Monitoring systems?
A. No.
Q. When did you receive the certification from the American Society of Industrial Security?
A. Mid-2000s.
Q. So then below there it states, "U.S. generics."
As you think about that term, what does that mean in the context of this presentation?
A. That indicates the division that I worked for.
Q. All right. As you think of Watson around this time, early 2010, you identified the U.S. generics division.
What were the other divisions that you can think of?
A. There would be generics and, I guess brand or commercial.
Q. Okay. Do you know whether any of the brand or commercial drugs that Watson made at this time were controlled substances?

A. There were but very few.
Q. Do you know whether those controlled substances from the brand division would have been governed by the same Suspicious Order Monitoring System that applied to the generics drugs?
A. Of course.
Q. And as you think of it, was it the same system or two similar systems?
A. Same exact system.
Q. All right. And would they all -- let me start over.
Would all the orders for the controlled substances, as you think of them, be passed through that SAP system that we were talking about earlier today?
A. Correct.
Q. So the next page on this exhibit, 65 states, "Objective" and "Provide an overview of the DEA affairs team" --
A. Um-hmm.
Q. -- "who we are, what we do, origins and path forward, achievements to date, compliance landscape opportunities and 2010

goals and objectives."
Reading that, do you -- does this help you remember who you might have presented this to in early 2010?
A. No. This was probably presented to a lot of folks.
Q. When you say "a lot of folks," is that a lot of folks at once or you made this presentation to different groups at different times?
A. Different groups, different times.
Q. All right. As you think of it, in 2010, can you remember about how many times you would have made this presentation?
A. No.
Q. So turning two pages in on 067, your name appears there. And at the upper left-hand corner it states, "DEA Affairs Organization current state"?
A. Um-hmm.
Q. And so you were the manager of security in DEA affairs; is that right?
A. Correct.
Q. And then as you look at the rest of

the organizational chart that appears there, the various people and groups, which, if any, would have a responsibility for portions of the Suspicious Order Monitoring System around this time, early 2010?

A. It would have been Ione and Lisa.

Q. And Ione is listed there, Ione Graziosi?

A. Um-hmm.

Q. And she's a manager DEA affairs?

A. Yup.

Q. And then Lisa Scott is CS auditor?

A. Yes.

Q. And under Ms. Scott's name, it says, "Audit program, investigations, agency request, policy development and inspection support."

A. Um-hmm.

Q. As you think of those various terms, which of those relate to the Suspicious Order Monitoring System?

A. The auditing investigations.

Q. And then under Ms. Graziosi, it says "quota, site liaison," and then "reporting." And then underneath there, it says, "SLC and

Gurnee," and then "import control, R&D/new product support."

A. Right.

Q. Of those, which relate to the Suspicious Order Monitoring System?

A. Actually none of them, so it looks like there was a typo and it was left off.

Q. Okay. And the term "SLC" for reporting, is that Salt Lake City?

A. Correct.

Q. What was in Salt Lake City for Watson around this time, early 2010?

A. They had a broad portfolio of products, controlled and not controlled. From a controlled substance standpoint, it would have been the fentanyl patch.

Q. And how about Gurnee?

A. Gurnee was a distribution center.

Q. And that is in Illinois; is that right?

A. Yes. Chicago area.

Q. Turning to the next page, which would be 068, it says "DEA affairs organization, 2010" and your name again appears there.

A. Um-hmm.

Q. As you look at this organizational chart, do any of the people have any responsibility for the Suspicious Order Monitoring System?

A. Again, it would have been Lisa and the proposed lead, because Ione, not being part of the team at the time.

Q. All right. So going further into this document, if you'll turn to page 072. So 072 and 073 face each other and it states at the top of 072 "Origins."

Do you see that there?

A. Yes, I do.

Q. It says, "Senior management decision was made to integrate the former C/S compliance department into the security department in April of 2009."

That date, April of 2009, is that when you became involved in the DEA affairs group?

A. I don't know if it was the exact time, but it would have been around then or thereafter.

Q. And you write, "Department renamed security and DEA affairs and that created synergy where silos previously existed."

That second term --

A. Sure.

Q. -- "created synergies where silos previously existed," what does that mean?

A. When I articulated earlier that there was a decision made to merge the compliance group with global security is because if you look at the DEA regulations and the code of -- and the CFR, there is a very strong security component to it. So it made sense because of those synergies that the large security component to the CFR to merge the two organizations because previously reporting through separate organizations, there -- it could inhibit effective communication.

Q. So if you go further into this document, going to, sorry, page 085, and it states: "Achievements to date, continued. "

A. Yup.

Q. If you need to, you can look at whatever part you need to, but I'm just going to

ask you about the one that appears under ARCOS.
Do you see that there?
A. Um-hmm.
Q. What is ARCOS?
A. ARCOS is the Automated Records and Consolidation Ordering System, I think.
Q. Okay. Was your group at Watson around this time, 2010, responsible for the reporting of any ARCOS data?
A. We supported -- yes, the, the ARCOS reporting for sites as well as for our distribution center.
Q. All right. When you say the "sites," is that the manufacturing sites?
A. Correct.
Q. All right. So -- and then there's two bullet points there, "data integrity" and "Florida program implemented."
Do you have a memory as to what the data integrity achievement was?
A. Sure.
Data integrity I think was probably a -- more accuracy in the reporting, because sometimes the -- at that time, it was a manual,

very manually intensive process, so I think there were probably some fat finger mistakes. So I think we probably reduced the amount of mistakes because you get errors reports from the DEA. So it's probably an enhancement in the process.
Q. All right. And then you state, "Florida program implemented."
Do you remember what that meant?
A. Sure.
The Florida program was that there were -- Florida and subsequently other states sought to receive ARCOS reporting for products distributed into their states so they'd have a view of products being distributed by a particular manufacturer into their state.
Q. All right. So is it fair to say, then, that the State of Florida would receive the same data that Watson sent to the DEA?
A. Yes.
Q. All right. So going to the next page, it states "Compliance Landscape"?
A. Um-hmm.
Q. This is page 086 of Exhibit 6.

"In 2008, 6.2 Americans used prescription-type psychotherapeutic drugs for non-medical purposes in a one-month period. 2.5 --
(Interruption.)
BY MR. EGLER:
Q. "In 2008, 6.2 million Americans used prescription-type psychotherapeutic drugs for non-medical purposes in a one-month period, 2.5 percent population."
And then in bullet points you say, "More than cocaine, heroin, hallucinogens" -- "hallucinogens and inhalants combined."
And then in the next one, it says "Non-medical use of prescription pain relievers tied with marijuana as having the highest rate of new abusers, 2.2 million."
Do you remember why you would have written that here?
A. Yeah, communicating the compliance landscape to our audience to -- and to stress the importance of, you know, our compliance efforts as well, too.
Q. Do you remember ever having a

discussion about the non-medical use of prescription pain relievers tied with marijuana as having the highest rate of new abusers around this time?
A. No. I mean, this would have been information directly taken from DEA.
Q. The next section there states, "Drugs most frequently implicated in non-medical use," and then in parentheses "2004 through 2006."
And can you pronounce the next word that appears next to the bullet?
A. Benzodiazepines.
Q. Okay.
MR. KNAPP: Nice job.
THE WITNESS: Thank you.
BY MR. EGLER:
Q. So that's hydrocodone, and can you pronounce that word?
A. Alprazolam.
Q. All right.
A. Actually, hydrocodone doesn't belong in there. That's, that's not a benzodiazepine.
Q. Hydrocodone is an opioid; is that right?

A. Correct.
Q. And it says "36 percent increase."
A. Um-hmm.
Q. And then it states, "Hydrocodone/combinations, 44 percent increase"?
A. Um-hmm.
Q. And then, "Oxycodone/combinations, primarily OxyContin, 56 percent increase"?
A. Um-hmm.
Q. Do you remember why you would have written that down?
A. I certainly wanted to give perspective to the audience of the issues that were going on today in the, you know, in the landscape.
Q. Do you remember around this time whether Watson made generic OxyContin?
A. We did not.
Q. Do you remember around this time whether Watson made generic hydrocodone?
A. We did.
Q. Do you remember whether there were any particular endeavors around this time, February 2010, to address the non-medical use of

hydrocodone by Watson?
MR. LUXTON: Object to the form.
MR. EGLER: Well, let me start over. That was a bad question because Watson probably didn't use it as a non-medical way.
A. No.
Q. So do you remember whether there was any initiatives or endeavors to address the high rate of non-medical use of Americans of hydrocodone at Watson around this time frame?
A. Our efforts certainly at that time and throughout my tenure were focused on ensuring that, as a DEA registrant, that we had effective controls in place throughout our entire controlled substance lifecycle to reduce the opportunity for theft or diversion.
Q. Okay. So going further into this document, can you look two pages in at 089?
A. Sure.
Q. You state, "Our products are among the most commonly-prescribed for legitimate medical use in the U.S."
Do you see that there?

A. Yes.
MR. LUXTON: 088?
MR. EGLER: This is on the previous page from that, 088.
BY MR. EGLER:
Q. It states, "Our products are among the most commonly-prescribed for legitimate medical use in the U.S."
And it states, "Entered into evidence by law enforcement."
What did you mean by that?
A. What I meant by that was that, you know, that, you know our -- and the goal of our organization, obviously, is we want to reduce, you know, pain and suffering for those individuals who have legitimate chronic pain issues or acute pain issues and that there is a, a largely legitimate need for this product. But also we want to point out that this is not only our product but all opioids are also found in illicit channels as well, too. And there was an increase in law enforcement finding opioids in illicit channels and also -- and that there was a demand -- there was a demand for legitimate

use, but also there was a rising illicit need as well, too, or demand.
Q. All right. And then 089, the next page down, it says, "Challenges continued."
Do you see that?
A. Um-hmm.
Q. And then it says, "Products include," and then under "Corona," does that refer to the manufacturing facility in Corona, California?
A. Yes, sir.
Q. It says, "Hydrocodone."
A. Um-hmm.
Q. It says, "Initial quota grant is 25 percent of aggregate."
In the context of your work at Watson, what does that mean?
A. It would mean 25 percent of all the hydrocodone produced within the U.S. was manufactured.
Q. Was manufactured at the Corona site?
A. Yes.
Q. And then oxycodone, what does that mean?
A. It just means oxycodone was produced

at that facility.
Q. Do you remember whether Watson marketed oxycodone around this time frame, early 2010?
MR. KNAPP: Objection to form.
MR. LUXTON: Object to form.
A. Our products were mainly generic. We didn't market those products.
Q. Do you remember whether Watson sold generic oxycodone around this time frame?
A. Yes.
Q. With regard to fentanyl, what is fentanyl?
A. Fentanyl is a -- is an opioid. It's a powerful pain management medication. It's largely used in, you know, serious chronic pain issues, cancer patients to relieve suffering. It was delivered through a Duragesic or a patch so it can last for longer periods so it could deliver a sustained dose to a patient so there would be no lull in the dosage as far as if you took a tablet where we don't want these patients to have any sufferings. We want them to maintain a steady stream of the product.

Q. Was the fentanyl produced at -- well, let me start over.
A. Right.
Q. Were the fentanyl-based products produced at the Corona, California, site for Watson in 2010 patches or something else?
A. No, I think those -- that would have been very small quantity, if my, if my memory serves. And I think there may have been a sublingual, but I -- I'm not 100 percent sure.
Q. And a sublingual is something you put under your tongue?
A. Yes, sir.
Q. And the next word there, methylphenidate?
A. Methylphenidate.
Q. Is that an opioid?
A. No. That's Ritalin.
Q. And then the next one there, diazepam and lorazepam?
A. Yes.
Q. Are those opioids?
A. No. They're benzodiazepines. They're muscle relaxers.

Q. And then the next one is F-line and Butalbital?
A. Fiorinal, Fioricet, Butalbital.
Q. Are those opioids?
A. No.
Q. Then the last word under "Corona" is Pentazocine?
A. Pentazocine.
Q. All right. Is that an opioid?
A. No. It's a benzodiazapine.
Q. So out of the seven entries under Corona, three of them, the top three are opioids; is that right?
MR. KNAPP: Objection to form.
A. Three of the listed are opioids.
Q. And the first three, right?
A. Right.
Q. And then the next one is Salt Lake City.
Fentanyl --
A. Yes.
Q. -- do you see that there?
And then there are two other listed there. The same methylphenidate?

A. Yes.
Q. And testosterone?
A. Right.
Q. Neither of those are opioids; is that right?
A. Correct.
Q. But the first one there is an opioid?
A. Yeah.
Q. And then Florida, did Watson have a manufacturing plant in Florida?
A. Yes. It was part of the Actavis acquisition.
Q. All right. It states hydrocodone and amphetamine and --
A. Actually, let me back that up.
Q. Okay.
A. It wasn't part Actavis acquisition. It was part of the Andrx acquisition.
Q. Okay. So let's get to that in a second.
Hydrocodone, amphetamine, and pseudoephedrine; is that right?
A. Yes.
Q. And then can you pronounce that last

word?
A. It can be carisoprodol or carisoprodol, depending on how you want to pronounce it.
Q. All right. So are any of those in that list opioids?
A. Hydrocodone.
Q. So the first one there.
With regard to the opioids that we've read on these lists, do you know why they were listed as challenges?
A. I think probably because the amount of regulation, the quota implications for some of the products as well.
Q. So with regard to the Florida manufacturing facility that you were talking about, the purchase of Actavis didn't take place until sometime in 2012; is that right?
A. Right. Yeah, this would have been Andrx, which I think was in 2009.
Q. What was Andrx?
A. Andrx was a generic pharmaceutical manufacturer.
Q. Do you remember at some point whether

the, the manufacturer of controlled substances for Watson was moved out of Florida?
A. Can you repeat that question?
Q. Do you remember whether, while you were at Watson or Actavis, the company stopped making controlled substances at a Florida plant?
A. No.
Q. So staying on this page --
A. Sure.
Q. -- the Corona entry states hydrocodone, and then it states initial quota grant is 25 percent of aggregate.
A. Right.
Q. And then it states, hydrocodone under Florida as well.
Do you see that there?
A. Yes.
Q. So the 25 percent of aggregate quota that you had explained before, was the Florida plant in addition to the 25 percent or included in that?
A. It would have been exclusive of it. But from my recollection, the hydrocodone production in Florida was minimal.

Q. Moving on to the next page it states, "Product development. "
Do you see that there?
A. Yes, I do.
Q. And this is page 090 in Exhibit 6. And there are eight chemicals or drugs listed there.
Can you go through that list and tell me which of them are opioids?
A. Sure.
Fentanyl citrate, hydromorphone, morphine sulfate, oxymorphone.
Q. Okay. So four out of the eight product development?
A. Yes.
Q. Do you remember why these eight drugs or chemicals were listed as challenges?
A. Sure.
Q. Why?
A. With product development efforts, you would have to still apply for quota with the DEA. It was a very challenging process in that you'd have to work closely with your R&D folks and scientists who -- to provide a justification

to DEA and also to articulate quantities to -- for the, the build of test batches, exhibit batches that would be submitted to FDA.
So it was really -- the challenges that I'm speaking about here are, are challenges administratively from a quota standpoint where, you know, that these -- these are not -- and the quota process, especially at that time, took a long period of time. So, you know, in any type of new product development in any pharmaceutical organization, you want to be first to file for a generic patent challenge. So any type of delays in the quota process, these things could affect your timeline in getting your, your product approved and being able to have affordable products in the generic market for, for patients.
Q. So as you've just described the challenges, are those more business challenges than, say, security challenges?
A. Yes.
Q. So do you remember there being any security challenges for the fentanyl citrate EQ oral or the hydromorphone or morphine sulfate or

oxymorphone?
A. No.
MR. LUXTON: Objection to the form.
BY MR. EGLER:
Q. All right. So as you think about it, the fentanyl citrate EQ oral, do you know what the brand name equivalent of that would be?
A. I don't off the top of my head.
Q. How about hydromorphone?
A. No.
Q. How about morphine sulfate?
A. Hydromorphone I believe is Dilaudid. These, these were all products that were not high-volume products. If you look at hydromorphone, morphine sulfate, they're -- oxymorphone, but I would say are institutional products that we used in hospital settings or long-term care.
Q. Have you ever heard of the drug Kadian?
A. I have.
Q. Is the morphine sulfate that's listed there the same thing as Kadian or something else?

A. I can't be sure.
Q. Do you remember whether Watson ever undertook to make generic Kadian?
A. I believe with the Actavis acquisition, I believe that was a legacy Actavis product, Kadian.
Q. But do you remember whether Watson ever made generic Kadian?
A. I don't have a specific recollection.
Q. All right. So moving on in this document, get to page 091, and it states "Suspicious Order Monitoring, SOM," it says, "The registered shall design and operate a system to disclose suspicious orders of controlled substances." And there are two bullet points that states "unusual size, pattern, frequency," and then, "suspicious order should not be identified on benchmarks/thresholds only."
A. Um-hmm.
Q. So that first group of three terms there, "unusual size, pattern or frequency," what did you mean by that?
A. It was taken directly from 1301.74 in

the Code of Federal Regulations, and is just the DEA's verbiage for, you know, what, you know, what could comprise, potentially comprise an order that should be flagged as of potential interest.
Q. Did anyone ever -- well, let me start over.
Around this time, February of 2010, do you remember ever having a conversation that the CFR in question listed unusual size, pattern or frequency, but also could include other aspects or other things that a company should look for in a Suspicious Order Monitoring System?
MR. KNAPP: Form.
MR. LUXTON: Same.
A. No.
Q. For example, did anyone ever tell you that the CFR in question, before it states unusual size, pattern of frequency has the word "including" in it?
A. Um-hmm. I'm aware of the -- of the DEA regulation.
Q. Did anyone ever say that the

"including" word would increase the number of considerations beyond unusual size, pattern or frequency?
A. I can't make that assumption.
Q. Was your understanding that the -- let me start over.
Was your understanding around this time that the Suspicious Order Monitoring System as required by the DEA was to track unusual size, pattern or frequency and not include any other aspects?
A. I think those were key elements to look for as mandated within the regulations.
Q. Do you remember ever including aspects beyond those three?
A. There are certainly other considerations, such as products that may be bought in combination that may be concerning.
Q. Anything else?
A. Not to my knowledge.
Q. All right. And then I just -- I hadn't said it before, but the top of this page is "Compliance Landscape."
The second bullet point there states,

"SOM as well as 'Know Your Customer' efforts are key to DEA's effort to curb diversion of C/S in listed chemicals."

Do you see that there?

A. Yes, sir.

Q. Do you remember -- well, that term, "Know Your Customer," what does that mean to you?

A. It implies due diligence to me and understanding who your business partner is.

Q. And with regard to the due diligence processes that you're thinking of, who, if anyone, or what group at Watson around this time, early 2010, was responsible for the Know Your Customer function?

A. Primarily from a DEA perspective, it would be my group but also order management or the customer service side also had a role as well, too. If onboarding a new customer, they would have a process that they would go to, a licensed validation process. You know, Dun & Bradstreet, they would do a due diligence on a customer prior to onboarding them on a customer. And from a security aspect or from a DEA

compliance aspect, we would have a set of questions that would be answered by the customer.

Q. Who in your group, as you think of it around this time, early 2010, would have been responsible for the Know Your Customer part?

A. Me.

Q. Okay. Anybody else?

A. I would overall be responsible. Probably compliance auditor would be responsible for procedurally.

Q. Beyond what you referred to as the onboarding process when Watson took on a new customer, were there ongoing Know Your Customer efforts?

A. We maintained strong relationships with our, with our customers. We also -- I know in the process when we acquired Actavis, we did a revisit with our customers. We asked for, for new compliance information.

And when I was leaving the organization, we were again doing another refresh as well to update our records.

Q. So with regard to this term, Know

Your Customer, have you ever heard an additional term "Know Your Customer's Customer"?

A. I have.

Q. What does that mean to you?

A. That implies that you should not only understand who your customers are, but who your customer is doing business with.

Q. So with regard to this time frame, early 2010, do you remember any "Know Your Customer's Customers" efforts at Watson?

A. No.

Q. With regard to the SOM system, have you ever heard the term "indirect customer SOM"?

A. I've heard "indirect customer," but not "indirect customer SOM."

Q. So what does that mean to you, indirect customer?

A. Indirect customer, again, would be a customer of our customer.

Q. At any time during your time at Watson and Actavis, was the automatic part, the SOM system, the part that was contained in the SAP system designed to track indirect customer sales?

A. No.

Q. At any time when you were at Watson or Actavis, was the automatic part of the Suspicious Order Monitoring System that was contained in the SAP system designed to get an understanding of the broader secondary market for the controlled substances it was tracking?

MR. LUXTON: Objection to form.

A. No.

Q. All right. So can you turn two more pages in to 093?

A. Sure.

Q. And it states, "2010 Goals and Objectives." 093.

And under 2010 Goals and Objectives, it states, SOM.

Do you remember what the 2010 goals and objectives for Suspicious Order Monitoring System were at Watson?

A. Sure.

It was likely -- again, it was almost nine years ago. It was an effort to enhance our already compliant system. So to -- that's probably right around the time when we started,

because of what we were seeing on the landscape and what DEA was indicating as important as well as our consultants as Know Your Customer, that's probably when we really started to, to build up our Know Your Customer aspect of our system.

Q. All right. And then the last one there that's listed, "Placebo Program" --

A. Yes.

Q. -- tell me what that means.

A. Placebo program is because of our long relationship with law enforcement and the DEA, we had a formal program where if DEA requested, we would be very happy to manufacture placebo of our products that they could use in operations to combat illicit traffic of controlled substances.

Q. With regard to that issue, do you remember ever hearing of an opioid called Norco, N-o-r-c-o?

A. Yes.

Q. Do you remember participating in a DEA program to provide placebos of the drug Norco?

A. It's possible.

Q. Do you have any particular memory about that?

A. No, but we've, we've done many placebo manufacturing runs for DEA or law enforcement.

Q. Do you remember ever having an understanding of, of the demand in the illicit market for Watson's drug Norco?

A. No, I don't think it -- it was not a high-volume product being a branded product. As far as a demand for it illicitly, I -- there may have been because there was an illicit desire for all opioids.

Q. Okay. All right. You can set this document aside.

(Witness complies.)

BY MR. EGLER:

Q. I'll hand you what I'll mark as Exhibit 7.

(Napoli Exhibit 7, Email chain beginning with email dated 4/12/10 from S. Soltis to Napoli, Bates-stamped ALLERGAN_MDL_01236097 and 6098, marked for

identification, as of this date.)

BY MR. EGLER:

Q. Mr. Napoli, I've just handed you what we will mark as Exhibit 7.

Can you look through it? And as you're looking through it, I'll read into the record the Bates numbers. ALLERGAN_MDL_01236097 and 6098.

And when you're ready, can you tell me what this appears to you to be?

A. It looks like it's a document in reference to a DEA request for a placebo product and setting them up within our distribution system as a customer to receive a no charge.

Q. Right.

As you think about that, an entity that is being set up as a customer, is that the DEA?

A. Yes.

Q. So at the earliest email in time on this exhibit, and it's at the bottom of the first page, you write to Scott Soltis.

A. Um-hmm.

Q. I think we've talked about him

before.

A. Um-hmm.

Q. Who is Scott Soltis?

A. Scott was our executive director of securities and DEA affairs.

Q. So was he on an organizational chart above you or below you.

A. Above me. He was responsible for security and DEA compliance for the organization.

Q. And then you cc Gary Stewart?

A. Yes.

Q. Who is Gary Stewart?

A. Gary Stewart was our supply chain security manager based out of Gurnee, Illinois, distribution center.

Q. And then Ed J. Grover?

A. Yes.

Q. Who is Mr. Grover?

A. Ed Grover was our head of distribution in Gurnee, Illinois.

Q. And you write, "Scott, in regards to the recent DEA request for product, I would suggest the following course of action: Special

Agent Warpness should provide the request for product on official letterhead," and then in parentheses, "include reg number," close parentheses, "and fax to Watson DEA affairs. But if time is of the essence, I would suggest fax going to Gary at the DC since most of us will be at the DEA conference this week."

Do you remember going to a DEA conference in April of 2010?

A. Yeah. I've been to many of them.

Q. And you say, "Faxing to Gary at the DC."

What does that mean?

A. If I'm going to be out of the office, it probably would make sense, if this DEA agent wants the placebo as soon as practical, send it directly to our security manager in the distribution center so the process can be, the request can be processed without delay.

Q. All right. And then Scott Soltis writes back on the same day, April 12, 2010, and that is the email above.

A. Um-hmm.

Q. He says, "FYI, I just talked to

Mark."

From the context of this email, can you tell who the Mark is that he's referring to?

A. That's Mark Warpness, a DEA investigator.

Q. And --

A. Or special agent. I'm sorry.

Q. And Mr. Soltis writes, "He wants ten bottles, which I told him no problem and that we will not charge him."

And then Mr. Soltis writes, "He did indicate that Norco is the most abused painkiller of preference on the street and it is just known on the street as 'Watson.'"

Do you remember ever hearing that before this time, April 2010, that people from the DEA indicated that Norco is the most abused painkiller of preference on the street?

A. We certainly heard from the DEA that hydrocodone was one of the most abused products.

Q. So and that's what Norco is, hydrocodone?

A. Norco is a branded product, so -- and, again, I don't know if he was saying Norco

or hydrocodone there, so I can't be inside his mind but...

Q. Okay. Well, do you remember ever hearing that on the, quote/unquote, street, that one of the opioids that Watson manufactured was known simply as "Watson"?

A. I was aware of that. There were -- many opioids and controlled drugs had many illicit street, street names. It's very common.

Q. Have you ever seen a pill of the drug Norco, the brand name drug Norco?

A. I have.

Q. Do you know whether it has the word "Watson" written on it?

A. It may. It's been a while since I've seen a tablet.

Q. Do you remember ever participating with the DEA beyond what's listed here in Exhibit 7 to address the, the, quote/unquote, street abuse of Norco?

A. As far as efforts that we made to help combat?

Q. Yes.

A. We would always be willing to help

out from a placebo standpoint. Or if there are any type of information requests, we would be happy to fulfill those for DEA.

Q. Do you remember ever -- let me start over.

A. Sure.

Q. Beyond this event that is listed here with the request for 10 bottles of placebo Norco, do you remember particularly any other requests or provision of that type of placebo to the DEA?

A. I don't recall specific requests, but I am positive that there were multiple requests for drugs throughout my tenure for placebo.

Q. And after you heard or read this email and found that one of the DEA agents indicated that Norco was the most abused painkiller of preference on the street, did you take any action internally to address that issue?

A. We were already aware that hydrocodone and opioids were products of abuse in illicit markets, as you can see through some of the documents we've looked at already that I

clearly communicated regarding the landscape.
You know, we took the responsibility very seriously. And to the extent that a manufacturer can prevent the illicit diversion of products, we made every effort to ensure that we had a robust security program that was -- not only met the basic requirement of DEA regulations, but exceeded them to make sure that we were doing our part.
Q. Where was, as you think of it, where was Watson's Norco physically made?
A. Corona.
Q. And, you know, we saw before that there was a notation that Watson's Corona facility had 25 percent of the nationwide quota for a particular drug?
A. Yes.
Q. Is that the same drug as Norco?
A. It would be included within that product, but Norco would not comprise 25 percent of the market.
Q. Do you know whether any of the security processes used with regard to Norco by Watson were more than the security processes

Watson used with regard to other drugs?
MR. LUXTON: Objection to form.
A. Yes.
Q. Were they higher than security processes used for other Schedule II drugs?
MR. LUXTON: Objection to form.
A. No.
Q. Were they higher than security processes used for Schedule II opioids?
MR. LUXTON: Same objection.
A. They were consistent.
Q. Do you remember ever talking with the FDA about this agent's opinion or indication that Norco was the most abused painkiller of preference on the street?
A. It would not be within my role to have conversations with the FDA about that.
Q. Would it be within the role of anyone at Watson to have that type of a conversation?
MR. KNAPP: Just real quick, was that last question about -- that was about the FDA?
THE WITNESS: Yes.
MR. KNAPP: I believe Mr. Napoli

answered based upon the FDA.
MR. EGLER: Let me ask this again.
BY MR. EGLER:
Q. Do you remember ever talking with anyone at the DEA about this indication that Norco was the most abused painkiller of preference on the street?
A. Not about Norco in particular.
Q. Okay. Do you remember whether anyone at Watson had that type of a conversation with anyone from the DEA?
MR. KNAPP: Foundation.
A. I don't recall.
Q. All right. You can set that document aside.
(Witness complies.)
(Napoli Exhibit 8, Email chain beginning with email dated 4/29/10 from L. Scott to Napoli, ALLERGAN_MDL_01236095 through 6096, marked for identification, as of this date.)
BY MR. EGLER:
Q. Mr. Napoli, I'll hand you what we will mark as Exhibit 8.

A. Okay.
Q. Exhibit 8, can you look through it generally. And as you're looking through it, I'll read on the record it's ALLERGAN_MDL_01236095 through 6096.
And when you're ready, can you tell me what this appears to you to be?
(Document review.)
A. Looks like a question from one of our security supervisors who attended a National Association of Drug Diversion Investigators conference about placebo programs.
Q. So that National Association of Drug Diversion -- can you say that again?
A. National Association of Drug Diversion Investigators.
Q. Investigators.
That's the NADDI --
A. Correct.
Q. -- that's referred to in the earliest email in time on the second page of Exhibit 8?
A. Yeah.
Q. And it's Pete J. Herrera?
A. Correct.

Q. Mr. Herrera worked at Watson; is that right?
A. Yes.
Q. What was his role around this time, April 2010?
A. Security supervisor of the Corona facility.
Q. And he writes to you and Ms. Scott, "Just got back from NADDI last night and wanted some clarification on how Watson, (DEA affairs) administers the placebo program for law enforcement."
A. Um-hmm.
Q. And he goes on from there.
And you respond to him on April 29th and say, "Hi, Pete. It is not uncommon to return from NADDI with a pocket full of placebo requests. We will be establishing a placebo program this year, though, so you can forward the contact names to Lisa and they will be added to the list."
And then continuing, "Interesting that the FBI inquired. They usually follow the money trail on high-profile RX cases through

electronic channels and tend not to get their hands dirty with diverse buys, et cetera."
And then on the next page, Mr. Herrera writes to you, "Thank you for your prompt reply. I hear you about the FBI's MO with reverses. The agents were" -- "The agents that were interested were from the San Diego field office. And there was one presentation by an SD County prosecutor that keyed on the diversion wave in SD, especially Watson hydro and Norco really hard. Maybe I heard it wrong at the DEA seminar, but didn't the DEA people say they had the problem under control down there?"
A. Um-hmm.
Q. So do you remember there being something that can be referred to as a "diversion wave" in San Diego that especially related to Watson's hydrocodone and Norco products?
A. No.
Q. Do you remember ever hearing that a San Diego County prosecutor had contacted -- let me start over.

Did you ever hear that a San Diego County prosecutor had made a presentation about diversion of Watson's hydrocodone and Norco products in San Diego County, California?
A. No, I don't recall ever receiving any requests from San Diego or contact by a prosecutor.
Q. So you know that San Diego County is just to the south of the Riverside County where Corona is?
A. Correct. I mean, it may be possible. I just don't recall if there was a placebo effort.
Q. And then you write back to Mr. Herrera and Ms. Scott, "I don't think it will ever been under control. The bad boys are always a step ahead. This is why" -- "This is why DEA likes to beat up on legitimate industry. Is all they can control."
Then you have exclamation point there.
A. Um-hmm.
Q. So when you wrote, "I don't think it will ever been under control," what did you

mean?
A. I think because of the way that the current tact was. And in that email, it expresses probably a feeling within industry that the approach by DEA was aggressive enforcement on industry, where this not -- this is a complex societal problem; it's not just the manufacturers. But the least amount of registrants are manufacturers, so I think it's easier to approach that population rather than going down the supply chain.
A lot of these products that are on the market are in illicit channels are because of, quote/unquote, legitimate prescriptions that are written at the prescriber level, and there are -- there was at the time seemingly no efforts to focus on that.
So it just probably indicating just that the their -- the focus, although well intended, is I think heavily on the wrong part of the system of distribution.
Q. And you write there as well, "The bad boys are always a step ahead."
A. Right.

Q. What did you mean by that?
A. I think in any type of criminal endeavor, it's -- where there's profit to be made, there's always -- criminals always seem to be one step ahead of law enforcement.
Q. So with regard to the "bad boys" there, who are you referring to?
A. Anybody who engages in the illicit trafficking of a controlled drug.
Q. And then you write, "This is why DEA likes to beat up on legitimate industry."
Around this time, April 2010, why did you think DEA likes to beat up on legitimate industry?
A. Because there was a change -- as you probably saw in one of the landscape slides that I did earlier, that there was kind of a change from -- previously, the DEA was more of a partner with industry and we worked collaboratively.
And then as you saw a shift in where the DEA was making efforts to combat the illicit drugs and making headway there, then you saw abusers migrating over to the legitimate

pharmaceuticals.
And then you saw it went from the diversion investigator concept to we're going to take diversion investigators and now add special agents from the criminal side in with those groups and be more aggressive with the registrant population.
Q. So with regard to this email that you sent to Mr. Herrera and Ms. Scott, you said, "I don't think it will ever be under control."
This is April 29, 2010.
A. Um-hmm.
Q. When you had that belief, did you ever try to change Watson's internal processes to try to control the diversion that was going on of Norco?
MR. KNAPP: Objection to form.
A. We continually ensure that we had appropriate controls in place to mitigate theft and diversion for what was under our control.
Q. So with regard to the Norco drug, after this time, April 29, 2010, did you ever undertake to have higher security processes than other drugs that Watson made in the same

controlled substance class?
A. Well, we sought to always have a strong program for all of our controlled substances from the time we received the material on our loading dock until we produced a solid dosage form. So we had a layered and balanced approach to physical security throughout our entire product lifecycle through distribution.
Q. And with regard to the diversion issues, did you or -- is it your understanding that anyone at Norco -- I'm sorry.
With regard to the diversion issues, is it your understanding that you or anyone else at Watson ever made special efforts to understand and reduce or stop the diversion of its Norco drug?
MR. KNAPP: Objection to form.
MR. LUXTON: Form.
A. It's not within the scope of our, of our power to do that.
Q. With regard to what we've been talking about before, that indirect customer concept, did you or anyone you know at Watson

undertake to have a greater understanding of the indirect customers for Norco?
MR. KNAPP: Objection to form.
MR. LUXTON: Form.
A. We at, at Watson had -- through our Know Your Customer program, we sought to find out about our customers, about their -- we had a form letter that went out to our customers and indicated that we were interested in finding out information from them of -- specifically of hydrocodone and oxycodone products that they purchased from us, a customer list, and who their most significant customers were. So it was all part of our Know Your Customer process.
Q. So when those letters went out, was that at the onboarding process that you were talking about or at some other time?
A. It would be at the onboarding time. It would also be when we did a periodic refresh, which would have been, again -- probably that next juncture would have been 2012, when we had the, the Actavis acquisition.
But throughout my tenure with, with Watson/Actavis, we didn't onboard too many

customers. We did not have a big customer list, so there wasn't too much addition to that customer base.

Q. So when you wrote that you didn't think it would ever been under control, did you renew the process of trying to understand your customers' customers to understand any part of the diversion process?

A. What we sought to do was to understand -- to work with our customers to ensure that they had programs in place, that they were ensuring that they understood their customers and their ordering behaviors, and they had effective controls in place to detect any type of unusual behavior.

Q. And as are you wrote here, "I don't think it will ever been under control," do you think that the -- your customers' processes were effective?

A. I don't think that was any indictment of a customer's process. I just think it's a -- probably a societal note about the demand for drugs in this country.

Q. But the customers that Watson had at

this time were selling the Norco drug to other people; is that right?

A. They would be selling them to a pharmacy.

Q. And do you remember ever undertaking a project or directing someone else to undertake a project to gain a greater understanding of the pharmacies to which the Norco drugs were being sold?

MR. KNAPP: Objection to form.

A. We actually looked at through our Know Your Customer process at all of our customers and -- and gaining an understanding of where all of our controlled substances, but specifically hydrocodone and oxycodone, were going.

As far as the daily day-to-day management of those customers, that was not within our role. And if you look at some of our customers, they had -- just one customer maybe had thousands upon thousands upon pharmacy locations. It would be untenable to do a realtime monitoring of those activities.

Q. With regard to the time frame that

is -- that appears in this email, April 29th, do you remember -- or April 29th, 2012, do you remember whether there was any particular endeavor to look at any of the pharmacies that were selling Norco?

MR. LUXTON: Objection to form.

MR. KNAPP: I believe you said 2012.

A. It's 2010.

Q. 2010.

A. Again, through our Know Your Customer efforts, we would gain an understanding of where our customers were distributing. But if there was a suspicious order that pended, we would take a deeper dive and we would look to see where these products were going.

Q. In response to this process at the end of April of 2010, do you remember any particular effort being made in that regard?

A. No.

Q. So Mr. Herrera writes back to you on that day, April 29th, "I felt like I was a class president or something at the seminar. Pretty popular guy as soon as someone would read my name badge and see I was from Watson."

As you sit here today, what's your understanding of what Mr. Herrera meant?

MR. LUXTON: Objection --

MR. KNAPP: Foundation.

MR. LUXTON: -- calls for speculation.

A. I can't speculate --

Q. As you read it.

A. I can't speculate --

MR. KNAPP: Same objection.

A. I can't speculate what Mr. Herrera was thinking.

Q. Okay. So when he wrote, "I felt like I was a class president or something at the seminar," do you remember ever having a follow-up conversation with him about that?

A. No.

Q. What do you think he meant by that?

MR. KNAPP: Objection.

MR. LUXTON: Objection calls for speculation.

A. I, again, I can't speculate as to someone else's thoughts.

Q. I'm not asking about his thoughts.

I'm asking what you thought he meant by that.
MR. KNAPP: Same objection.
MR. LUXTON: Foundation.
A. Again, I can't.
Q. And he writes, "...pretty popular guy as soon as someone would read my name badge and see I was from Watson."
Do you remember ever having a follow-up conversation about that issue?
A. No.
Q. And as you sit here today, do you have any memory of what you thought at the time he meant by saying that?
MR. LUXTON: Objection. Calls for speculation.
A. No, I don't.
Q. And then the first email on the page, the last one in time, Ms. Scott responds to you only and leaves Mr. Herrera off and she says, "Ug, vomit."
As you sit here today, what do you think she meant?
MR. LUXTON: Objection. Calls for speculation.

MR. KNAPP: Objection.
A. I can't speculate.
Q. If someone writes, "Ug, vomit," do you think they agree with what Mr. Herrera has said?
MR. LUXTON: Same objection.
MR. KNAPP: Objection.
A. I don't know.
Q. Do you remember ever having a discussion with Ms. Scott about the diversion wave in San Diego that was referred to in this email?
A. No.
Q. Do you remember ever having a discussion with Ms. Scott about the impression of the DEA that there was a substantial diversion of the Watson hydro and Norco drugs?
MR. KNAPP: Foundation --
A. We --
MR. KNAPP: -- and form.
A. We had an understanding, as I articulated earlier, from DEA that there was a -- an increased illicit demand or use for hydrocodone in general, just not Watson.

Q. And based on that understanding, do you remember ever taking any special steps in regard to the Watson hydro and Norco with regard to security issues or Suspicious Order Monitoring System or anything else?
MR. KNAPP: Form.
MR. LUXTON: Objection to form.
A. From a security perspective, again we continually looked to enhance our security process as any good security practitioner would do. We assessed the current risk, and we looked to make enhancements where we can to our systems.
And we had a very robust security program at Corona and in all our facilities, and we were frequent recipients of DEA inspections from the Riverside office and other offices that were heavily focused on the security aspect and control of -- that you had over your product. And we had outstanding results with DEA in our inspections.
Q. Do you remember whether Watson, around this time or at any point after April 2010, undertook to modify or create a

special process inside the Suspicious Order Monitoring System that would address any of the diversion issues that Watson's hydro and Norco were facing?
MR. LUXTON: Objection to form.
MR. KNAPP: Objection to form. Asked and answered.
A. As I stated, our Suspicious Order Monitoring System program was a holistic and, we feel, an effective program that was complying with DEA regulations.
Q. You can set that document aside.
MR. KNAPP: Can we take a break?
MR. EGLER: You want to break for lunch?
MR. LUXTON: Is it being brought in?
MR. EGLER: Yes.
MR. LUXTON: Hopefully if it's here, we'll break for lunch.
MR. EGLER: I'll check if it's here. If it's not, we'll take a ten-minute break.
THE VIDEOGRAPHER: The time is approximately 12:23 p m., and we are going off the record.

(Recess is taken.)

AFTERNOON SESSION

(Time noted: 1:10 p.m.)

THE VIDEOGRAPHER: We are back on the record. The time is approximately 1:10 p.m.

* * *

THOMAS P. NAPOLI, resumed and testified as follows:

EXAMINATION BY (Cont'd.)

MR. EGLER:

Q. Mr. Napoli, you understand you are still under oath?

A. Yes, sir.

Q. And for -- I'm going to hand you what we will mark as Exhibit 9.

(Napoli Exhibit 9, PowerPoint presentation entitled "DEA affairs Organizational Achievements, ALLERGAN_MDL_02467984 through 7998, marked for identification, as of this date.)

BY MR. EGLER:

Q. Can you look through Exhibit 9? And as you're reading through it, I'll note for the record that the first page has no Bates stamps.

The second page is ALLERGAN_MDL_02467984 through 7998.

And when you're finished looking through this document, can you tell me what it appears to you to be?

(Document review.)

A. Okay.

Q. All right. Do you recognize the document that appears after the first page?

A. I do.

Q. What is it?

A. This appears to be a presentation that I put together that talks about achievements and accomplishments during a calendar year and also what goals for the upcoming year of 2011 were for our DEA affairs organization.

Q. So the achievements were for the calendar year 2010; is that right?

A. Yes, sir.

Q. Do you remember who the audience for

this presentation was?

A. No, I don't.

Q. So that author on the first page in the metadata page says Steve G. Sost.

Do you see that there?

A. Steve Sost.

Q. Who is he?

A. Steve Sost was one of our communications folks, corporation communications. He may have put this into a company-approved format for me.

Q. So as you think about this presentation, would you regularly give a presentation like this at the beginning or at the end of each year?

A. It would likely --

(Interruption.)

THE VIDEOGRAPHER: The time is approximately 1:14 p.m. We are going off the record.

MR. EGLER: I can ask a better question. Yeah, let's go back on.

THE VIDEOGRAPHER: The time is approximately the 1:14 p m., and we're back

on the record.

BY MR. EGLER:

Q. So would you make this type of a presentation annually?

A. It's likely that I would.

Q. Do you remember making these types of presentations?

A. I do.

Q. And who would you make them to?

A. Likely to my department management and perhaps organizational management.

Q. So your department management would be who?

A. My executive director Scott Soltis. Then eventually we were part of supply chain as well. So that -- that wasn't at that time. So this would have been Scott Soltis and perhaps higher levels of management.

Q. All right. So if you turn to page 990 of this document, it's about halfway through, a little bit less, on the document, at the top of the page there, 990, it states, "Suspicious Order Monitoring."

Do you see that?

A. Um-hmm.
Q. As you see that page there that appears under Suspicious Order Monitoring, what does that mean to you in the context of this document?
(Document review.)
A. It really just looks like kind of a status update on the Suspicious Order Monitoring.
Q. So this would be looking back at year 2010; is that right?
A. Yes.
Q. It states, "Evaluation and enhancement," and then a dash, "effective relationship with internal customers."
A. Yes.
Q. And it states, "Sales and marketing" and "customer relations."
What does that group of words mean, "Effective relationship with internal customers," and "sales and marketing" and then "customer relations"?
A. It's indicative of our continuous desire to enhance and improve our compliance

efforts. And by doing so, it's ensuring that we had a strong relationships with internal customers, such as sales or marketing folks that we could garner information from about customer ordering behavior, maybe upcoming awards of contracts or types of changes within the market, if somebody dropped out, if somebody is picked up. Just another source of gathering information so we can be most effective and also ensuring we maintained our strong partnership with the customer relations folks who we partnered with on the SOMS initiative.
Q. So with regard to the customer relations entity that's referred to there, at Watson at this time, end of year 2010, was the customer relations group part of the sales and marketing group?
A. Yes.
Q. Was there any other entity within Watson that you think of as an internal customer that you or your group worked with in 2010 to evaluate and enhance the Suspicious Order Monitoring program?
A. As far as internal customers?

Q. Yes.
A. I'm sure there was a component with perhaps with legal.
Q. Okay. Do you remember ever talking with anyone involved with FDA regulation part of Watson with regard to the Suspicious Order Monitoring System in 2010?
A. It's a little vague. Is that FDA or DEA you're referring to?
Q. FDA.
A. FDA?
Q. So let's back up a little bit. So -- and we had talked about this before earlier.
As you think about it, what group do you identify at Watson around this time frame, 2010, to be most responsible for dealing with FDA regulation of drugs?
A. Quality assurance.
Q. So do you remember whether you ever -- well, let me start over.
Do you remember whether you or your group ever identified quality assurance as an entity to interface with regard to the Suspicious Order Monitoring System in 2010?

A. No, they, they wouldn't really have a relevant stake, I think, in Suspicious Order Monitoring because they're more focused on safe, pure and effective drugs, ensuring that we have quality systems around safe, pure and effective drugs.
Q. Do you remember ever meeting with anyone from the quality assurance group with regard to the data that they collected on opioid drugs?
A. I don't recall.
Q. Then you state "increase security visibility," and it says "order of interest review," and then "investigation," and then "communication with customers."
A. Um-hmm.
Q. What was the "increase security visibility" in 2010?
A. That was, you know -- again, 2010 is, depending on what time it was, it was a little over a year or a year since I transitioned in. So it was really getting more involved from a security standpoint and, and from a compliance standpoint, meaning our internal auditors and

taking an active role in the order of interest review investigation and, you know, and the communication with the customers about orders.

Q. And the "order of interest," that term, is that the same as you understand it as a pending order?

A. Correct.

Q. Then the next dash down there it says, "systemic upgrade and enhanced system logic and increase efficiency."

Do you see that there?

A. Yes.

Q. Do you remember during 2010 what steps you and your group at Watson took with regards to the systemic upgrade of the Suspicious Order Monitoring System?

A. I think that this may have been around the time where we engaged with Cegedim to look at our system and, and maybe propose some enhancements to the, to the system itself. And we were looking to increase the efficiency and again enhance some of the system logic in building in an additional or enhancing an algorithm.

Q. All right. And then can you turn to page 995. It looks like this (indicating).

A. Um-hmm.

Q. And it says, "2011 goals and objectives continued."

So if you need to look before there, feel free, but I'm just going to ask you about this page.

A. Yup.

Q. It states, "SOMS" and that's Suspicious Order Monitoring System, right?

A. Yes, sir.

Q. And your -- the goal at Watson for 2011 was to improve the system and enhanced automation?

A. Yes.

Q. Do you remember what you meant by that?

A. Yeah, just what we just spoke of, is, is looking at our current compliance system but also finding ways to make it -- to look at more parameters regarding an order of interest and to increase the efficiency of the program.

Q. Okay. Then the next one says,

"Enhance investigation process," and it says "Procedure in cross-training."

What did you mean by that group of words?

A. Creation of a more formal procedure on the investigation process of an order of interest. And cross-training meaning, as I referred to earlier, we had an individual in our global security department, Jeff Collins, who was a trained, seasoned investigator to provide cross-training in this area for him so he could serve as a backup or a supplement to performing investigations for the team.

Q. And in this time frame, 2011, the initial investigation of a pending order would take place in the customer service group?

A. The order management side, yeah.

Q. And if it was escalated, it would come to your group; is that right?

A. Yes, sir.

Q. All right. Do you, as you think about it, as long as there is an internal Suspicious Order Monitoring System at Watson or the part of Actavis that you worked with, did

that process ever change?

A. No.

Q. All right. You can set that aside.

(Witness complies.)

BY MR. EGLER:

Q. I will hand you what we will mark as Exhibit 10.

(Napoli Exhibit 10, Watson 210 Performance Review Form - Exempt, Bates-stamped ALLERGAN_MDL_03535275 through 283, marked for identification, as of this date.)

(Document review.)

BY MR. EGLER:

Q. Mr. Napoli, can you look at what's been marked as Exhibit 10?

A. Yes.

Q. And look at it generally. And while you're checking it out, I'll read into the record, it's Allergan_MDL_03535275 through 283.

And you can look through the whole document. I'm going to ask you about text that appears on the third page, which is 5277.

A. Sure.

(Document review.)
Q. So first, to get the big picture, do you recognize this document?
A. I do.
Q. What is it?
A. It's a performance review form.
Q. So is this your performance review?
A. It appears that it is.
Q. And do you remember filling out a performance review at the end of 2010?
A. I'm sure that I did.
Q. All right. Could you look at the top of page 5277? It states, "Key goal No. 1."
Do you see that?
A. Yes, sir.
Q. And it says, "Suspicious Order Monitoring program, SOM, upgrade Phase II."
And did you write the text that appears in this box?
A. Yes.
Q. All right. And you state, "Lead a cross functional team with the goal of enhancing the program logic within SAP to accurately and efficiently determine legitimacy of CS orders

with minimum impact to the business while maintaining DEA compliance."
And you write, "Overall objectives: Utilize identified vendor to evaluate the current system. An evaluation will consider Watson's approach of design, parameters inherently unique to account types, and validation process."
Do you see that?
A. Um-hmm. Yes.
Q. So it says, "Evaluation will consider Watson's approach and design."
What did you mean by that?
A. That we would be utilizing a vendor, Cegedim in this case, to come in and do an assessment or an overall valuation of our current system and our approach and design of our system.
Q. All right. And "parameters inherently unique to account types," do you have an understanding of what that means?
A. Likely the different -- differences between different types of account types. So different types of customers, whether it's a

large distributor, midsize distributor or, you know... different class of trade.
Q. When you use the term "class of trade," what does that mean?
A. Class of trade, is, you know, the various different types of, of customers. So you might have a customer that is a midsize distributor, a large distributor, a chain distributor. So it's just the differentiator for the different types of business classes.
Q. So would one class of trade be, as you said, a large distributor?
A. Um-hmm. Yes.
Q. Yes?
A. Yes.
Q. And then the last one there says "validation process."
Then there is a bullet point, and it states, "Based on evaluation, a report will be generated that identifies any gaps and recommended actions to ensure that the system is statistically defensible in compliance" -- "and compliant with DEA mandate."
Do you see that there?

A. Yes.
Q. And then at the very bottom it states, "Complete evaluation of current system V DEA requirements and prepare executive summary by 4/30, 2011. Develop action plan and present to management by 6/1, and implement system with automated business system test environment by end of fourth quarter."
Do you remember who set that schedule for the Phase II of the upgrade of Watson's Suspicious Order Monitoring program?
A. It's likely myself, my manager.
Q. Again, who was your manager?
A. Scott Soltis.
Q. All right. So let's set this document aside.
(Witness complies.)
(Napoli Exhibit 11, Customer Services Agreement - Statement of Work No. 1, Bates-stamped ALLERGAN_MDL_03535028 through 5030, marked for identification, as of this date.)
BY MR. EGLER:
Q. I'll hand you what we will mark as

Exhibit 11.

(Handing.)

A. Thank you.

Q. Mr. Napoli, can you look at what I've marked as Exhibit 11? While you're looking at it, I'll read into the record it's ALLERGAN_MDL_03535028 through 5030.

When you're ready, when you're ready, can you tell me what this appears to you to be?

(Document review.)

A. Yes. It's a Statement of Work from Buzzeo PDMA, also known as Cegedim. And it's to conduct what we discussed in my, my goals and my performance review to do an analysis of our SOM program and discuss our approach, meet with IT and compliance teams, discuss data, and the, the current model and any improvements that can be made.

Q. So with regard to this Statement of Work No. 1, do you know who would have -- who would have, at Watson, negotiated this statement of work with Buzzeo?

A. Likely myself and Scott Soltis.

Q. All right. And what makes you think

that?

A. It was our, our project.

Q. And so speaking generally about the Buzzeo entity, I think you had said today that you had worked with them previously in the course of your work at Watson; is that right?

A. Correct.

Q. And as you think of it, did you work with consultants other than Buzzeo that provided similar services while you were at Watson?

A. I mean primarily from a consulting standpoint, we would utilize Buzzeo. I'm trying to think if there are any other...

There may have been another firm, but I'm just drawing a blank right now.

Q. Do you remember whether with regards to the Phase II that you talked about in your annual review for the Suspicious Order Monitoring program at Watson, whether you entertained bids or proposals from anyone other than Buzzeo PDMA?

A. Perhaps ValueCentric, but I can't be 100 percent sure.

Q. So what do you know about

ValueCentric?

A. ValueCentric is another organization that is in the business of providing data to the pharmaceutical industry.

Q. Can you think of a particular person that you recognize as a contact at ValueCentric?

A. No.

Q. Do you know whether you were -- when you were at Watson or Actavis, your group ever contracted with the ValueCentric entity?

A. My group did not.

Q. Do you know if anyone at Watson contracted with the ValueCentric entity?

MR. KNAPP: Foundation.

A. I believe sales and marketing may have utilized their services.

Q. Okay. Anybody else that you know of?

A. No, I don't.

Q. All right. So with regard to this Statement of Work No. 1, it's marked as Exhibit 11, who in particular, if anyone, at the Buzzeo PDMA group did you negotiate with?

A. Now when you say "negotiate," can you expand on that, on that term?

Q. Okay. So this document appears to me to be signed by Mr. Soltis, I think, is it July 28th, 2011?

A. Um-hmm.

(Document review.)

A. Yes.

Q. So before that time, as the agreement was coming together, is there anyone in particular at Buzzeo PDMA that you worked with to get a mutual understanding of the scope of the project and the cost?

A. Yeah. Likely it was an individual named Paul Hamby, H-a-m-b-y, and Bob Williamson, common spelling.

Q. And Mr. Hamby I think we mentioned earlier today.

When did you first meet Mr. Hamby?

A. Likely in the mid-2000s at a Buzzeo conference.

Q. How about Mr. Williamson?

A. Same. Mr. Caverly we talked about earlier now. This is the first introduction to Paul, I believe.

Q. All right. All right. You can set

this document aside for now.
(Witness complies.)
BY MR. EGLER:
Q. I'll hand you what we will mark as Exhibit 12.
(Napoli Exhibit 12, Meeting Minutes dated 9/8/11 ALLERGAN_MDL_02176488 through 6492, marked for identification, as of this date.)
BY MR. EGLER:
Q. And Mr. Napoli, can you look at what I've marked as Exhibit 12?
And while you're looking at it, I'll note for the record that it's numbered ALLERGAN_MDL_02176488 through 6492.
When you're ready, can you tell me if you recognize this document?
A. I do recognize it.
Q. What is it?
A. It looks like a meeting minutes from an initial meeting that we had with Cegedim regarding the SOMS assessment.
Q. So in the subject, on the first page, page 88 states, "SOMS meeting system evaluation,

Cegedim Dendrite," and it states "Thursday, September 8th, 2011."
Do you remember this particular meeting?
A. I don't.
Q. Can you, can you tell from the context of this where this meeting would have been held?
A. Likely in our Parsippany office.
Q. Do you remember having a meeting like this with people from Cegedim Dendrite in September 2011?
A. Yes.
Q. And there's a person there under attendees, Robert C. Williamson.
Is that Bob Williamson -- Bob Williamson that you were talking about before?
A. Bob Williamson, yes.
Q. And there's -- the name underneath there Jonathan Kuhn, Ph.D.
Do you know Mr. Kuhn or Dr. Kuhn?
A. Yes. He's a statistician who worked for Cegedim.
Q. And then there are various people

listed beyond there; Scott Soltis, Mary Woods, Larry Schaffer, Justin Park, Laura Pinti, Sandra Simmons, Lisa Scott, Lynn DaCunha, Jaydeep Shukla, Rick Robbins, and Napoleon Clarke.
Did all those people that I just read their names, did all those people work at Watson?
A. Yes.
Q. All right. I don't think we have seen the name Jaydeep Shukla earlier today. Who is -- is it Mr. or Ms. Shukla?
A. Jaydeep eventually joined our DEA affairs team as an associate or a DEA compliance specialist.
Q. All right. And then Rick Robbins, who is Rick Robbins?
A. Rick Robbins and Napoleon were both in sales and marketing.
Q. All right. So -- and the front seems to be a discussion of what is going on at the meeting.
And the third entry down there, it say, "Agenda," and then in parentheses, "Tom."
A. Um-hmm.

Q. As you read this, do you know who would have typed the text in there that appears there?
A. No.
Q. Do you think it was you?
A. No.
Q. So it states, "Overview of organization," and it says, "Anda not included in the scope of this project."
What is Anda, as you understand it in the context of Watson?
A. Anda is a pharmaceutical distributor that, when we acquired Andrx, they were a part of that organization. But they were treated as a separate entity. They weren't part of our -- when it came to compliance or anything, they were a separate entity.
Q. And then the next line down there, it states, "Enable and sustain growth of our business" and, dash, "$498 million of C/S products sold in 2010 with top 5 products, hydrocodone, oxycodone, fentanyl and methylphenidate."
A. Yes.

Q. And then in parentheses, "Concerta P&G," close parentheses.

So there are, I think, four things listed there.

But do you remember having a discussion of Watson having $498 million of CS products sold in 2010 and the top four products being hydrocodone, oxycodone, fentanyl and methylphenidate?

A. It's entirely possible.

Q. All right. And then the next entry is, "Enable and sustain growth of business," and then dash "security and compliance."

Do you have an understanding of whether you said something like this at the meeting and what you meant by it?

A. What I would have meant by that is to, you know, from a business perspective, to support the business and -- but to make sure that we do it in a secure and compliant manner.

Q. All right. And then the next statement is, "Systemic upgrade" and then it says, "Take labor and subjectivity out of the department."

Do you remember whether you said something like that at this meeting and what you meant by it?

A. It's possible.

Q. What would you have meant by it?

A. It meant that although we had a compliant system, it was very labor intensive, and we were looking to make enhancements to the program that would sharpen the tool for us. Maybe have we have a statistician there where -- to look at algorithms that were currently developing with the, the advance of technology itself, or to take a look at is there a way that we could do this more efficiently to take some of the labor intensivity out of it and to have it autocalibrate.

Q. So when you say "labor intensivity," as you think about the labor intensive part of the Suspicious Order Monitoring System and Watson around this time, mid to late 2011, what was labor intensive about it?

A. We pended a lot of orders in the system that need to be reviewed.

Q. And so as you think about it, what

was your proposed means of reducing the labor intensiveness of the system?

A. Automation.

Q. Would the automation replace -- let me start over.

As I think of the system, there are three basic parts; the SAP system, and then the initial order management team consideration, and the potential DEA team consideration.

So as you think about taking the labor intensive part out of it, if those are the correct stages of the system, which part are you thinking of?

A. Well, just to back up and clarify, when I think of our SOM system, I don't think just of SAP. I think of a holistic approach that begins with the Know Your Customer initiative and vetting.

And then we have the systemic approach to it, which we're talking about, then also the evaluation investigative aspect as well, too, and the monitoring.

But in this aspect, we were talking strictly about the automated aspect of the

system, where although we had a compliant system, it -- we wanted to, again, sharpen the, you know, the sensitivity. So by -- and I'm just putting this out there. If we looked at six parameters, we wanted to -- maybe Buzzeo had a statistical algorithm of like 12. Maybe we could reduce the number, because we had an awful lot of false positives in our system, so we wanted to be more accurate and take -- and by less labor, it means less false positives, less time spent on reviewing orders that we didn't need to have to. Because that was one of the issues. We reviewed a lot of orders because we erred on the side of being conservative. We rather look at too many orders than not look at enough.

Q. So with regard to that issue and trying to make the automated part of the Suspicious Order Monitoring System more accurate, is that a good word or --

A. No, because it was accurate, but we just wanted to make it more efficient.

Q. More efficient.

Was there ever any consideration that

the system wasn't pulling up enough suspicious orders?

MR. LUXTON: Objection to form.

A. The system wasn't pulling up suspicious orders. The system was pulling up orders of interest that were pending and it -- I would not say it didn't pull up enough. I think we pulled up a lot of orders that were, I would say, false positives that we had to -- had to work through.

Q. Was there ever any consideration that the Suspicious Order Monitoring System at Watson around this time in 2011 was not pulling up or not pending orders that were suspicious or would be suspicious if examined?

A. No.

MR. KNAPP: Objection to form.

BY MR. EGLER:

Q. Was there ever any discussion of the, for example, the Norco diversion issue and whether the Suspicious Order Monitoring System could be tuned to better examine issues raised to the diversion of Norco?

MR. KNAPP: Form and foundation.

A. Not specifically. I mean, we already looked at hydrocodone as a molecule, which would include Norco.

Q. Was there any discussion of whether to add more variables or data to examine the known diversion issues with the hydrocodone molecule?

A. Again, known diversion issues -- what known diversion issues are you talking about?

Q. So we are talking about the Exhibit, I think, 8 before, the email...

(Document review.)

BY MR. EGLER:

Q. What we marked as Exhibit 8, there is a statement from Mr. Herrera that says, "The agents were" -- "that were interested were from the San Diego field office, and there was a presentation by SD County prosecutor that keyed on the diversion wave in SD, especially Watson hydro and Norco really hard."

Do you remember, and this is April 2010, do you remember in 2011 when recalibrating the Suspicious Order Monitoring System at Watson, whether there was ever any

discussion of finding data or variables that would help to track diversion in, say, San Diego County, California?

A. No. Our system designed for our SOMS program was in accordance with the DEA regulations for us to identify or that deviated in size, pattern or frequency with, with our trading partners, with our partners. That's what it was geared towards.

Q. The DEA didn't instruct registrants on the formulas or algorithms they were to use in constructing their Suspicious Order Monitoring systems; is that right?

A. That's correct.

Q. And was there any consideration at Watson at this time after having been told by the San Diego field office of the DEA that there was a diversion wave in San Diego that there should be some analysis of how to account for that wave or analyze it or anything?

MR. KNAPP: Objection to form. Asked and answered multiple times.

A. And I'll state that, you know, you're basing this premise on someone's version of what

they say they heard in a conversation with, with someone from San Diego.

There was no official communication from anyone in California or San Diego to us as an organization about a wave. So this is someone's -- you're taking someone's interpretation of an event that they went to.

Q. Did you --

MR. LUXTON: Sorry to interrupt, but some of the people on the phone notified me that they are having a real tough time hearing, so I wanted to slide this over, if you don't mine, a little.

THE WITNESS: Yeah. Sure.

MR. KNAPP: If you can just try to keep your voice up.

THE WITNESS: Sure.

MR. KNAPP: Thanks.

BY MR. EGLER:

Q. With regard to the, the DEA field office and the DEA in general, Watson provided the -- the -- I can't remember the name.

What are the fake pills?

A. Placebo.

Q. Watson provided the placebo pills to the DEA as part of their processes; is that right?
A. Right.
Q. And when you or whoever at Watson talked to the DEA agents, did you get an understanding of why they were asking for placebo Norco pills?
A. If they requested Norco, yes.
Q. What was your understanding of why they were asking for placebo Norco pills?
A. To perform a reverse buy because of an illicit diversion.
Q. Did the Suspicious Order Monitoring System at Watson ever take into account the issues raised by the DEA in seeking the placebo pills?
A. Can you clarify?
MR. KNAPP: Objection to form.
BY MR. EGLER:
Q. Do you know why the DEA was asking for the placebo pills?
A. I just explained that.
Q. Can you say it again? I just --

A. They were looking to do a reverse buy because of illicit activities with product.
Q. So did you ever ask the DEA what the illicit activities that the DEA thought were going on were?
A. The DEA nor any law enforcement agency is going to share any active investigation details with you.
Q. After the DEA requested the Norco placebo pills, did you do any media analysis or court docket analysis to determine whether Watson's drugs were part of an indictment or bust or publicized investigation anywhere in the country?
A. As part of our, our security department's charge, we obviously would monitor the federal register or media for any type of appearance of our product that involved in any type of activities.
Q. But particularly, after the DEA asked you for the fake pills, the placebos, did you ever try to follow up in the media or court records to determine if they busted somebody for trying to buy the pills?

MR. KNAPP: Objection to form. Asked and answered.
A. I don't recall.
Q. Did you ever instruct anyone to go keep this on a tickler file to see if anything ever came up about it?
A. We had a proactive posture as it was, so we continually monitored for these type of activities.
Q. Do you remember ever finding anything out about it?
A. Not about this particular case.
Q. Well, do you know whether all the pills that the DEA got from Norco or got from Watson, all the placebo pills were used in one case?
A. I don't know.
Q. As you think about it over, say, 2010 and 2011, do you have an understanding of how many bottles of placebo Norco Watson supplied to the DEA?
A. I don't, but it wouldn't -- it wasn't a lot. We didn't get a -- it wasn't a high volume of requests that we got. And a request

would not be solely for Norco either. So it could be any particular product.
Q. But you are aware that the DEA was asking for placebo pills of Norco, right?
A. Right. I think it was ten bottles.
Q. And when you met with Buzzeo, the Buzzeo people, did you ask if there was a way that you could tune the Suspicious Order Monitoring System to examine any diversion issues with regard to Norco?
A. When you say "diversion issues," where, where I'm trying to get an understanding is "diversion" is kind of a blanket term. There's different types of diversion. You can have a cargo theft. You can have a loss in transit. You can have a theft. You can have a non-righteous prescription. So you -- it's kind of a broad term that you're using.
So what we did was, with our Suspicious Order Monitoring program, is that we, we designed our system, as many other registrants did, to ensure that we are meeting our compliance under the Code of Federal Regulations, under our corresponding

responsibility, which was the relationship between us and our direct customer. And, again, our Know Your Customer aspect of our, of our program dealt with getting more into who their customers were, what the usages were, as well as any type of follow-up investigative work. But as far the expectation for a SOMS program, to be able to reach that far down into the supply chain is just not realistic.

Q. Well, Watson reached that, reached that far down into the supply chain to examine whether orders should be cleared; is that right?

A. We reached down to the distributor level. And if the distributor level did not have a satisfactory data for us, we could -- we would ask them for the third-party information as to who they were distributing to. So that was all done with our direct customer. We weren't reaching out to individual pharmacies.

Q. There were instances when Watson's customer service group reached out to the sales and marketing people for market data to determine whether pended orders should be cleared; is that right?

MR. LUXTON: Objection to form.

A. It's possible depending on the circumstance.

Q. But it's your understanding that there was never an official policy that would reach out to the sales and marketing people to incorporate market-based data to determine whether an order should penned; is that right?

A. Right.

Q. So, for example, the IMS data that, that Watson bought that gave a view of a -- the entire market of a generic opioid drug, that was never incorporated into Watson's or Actavis's Suspicious Order Monitoring System, the automated part; is that right?

MR. KNAPP: Foundation.

MR. LUXTON: Foundation.

A. I'm not an expert on IMS data. I do know that there are limitations to that data. It's retrospective as well as I don't know if you can get as granular as to what you may be indicating. So I can't, I can't really speak to that as an expert.

Q. The Suspicious Order Monitoring

System, as you understand it, typically uses retrospective data; is that right?

A. We're actually basing a current order based on a six-month history.

Q. Right.

So the six-month history is retrospective; is that right?

A. Yeah, to an extent. But it's, it's giving you a current snapshot of what the, the average looks like.

Q. An average of the past six months?

A. Right.

Q. And do you know how current the IMS data that was available to Watson in, say, 2010 going forward was?

A. I don't. And, again, I'm -- just to reiterate, I'm not an IMS expert. I don't have a lot of breadth of knowledge with the topic.

Q. Do you remember ever asking anybody at Watson or anywhere else about what the currentness of any IMS data that would be available would be?

A. No. I know IMS data was used for product launches. It was used for, you know,

trying to estimate market share. Or if you're potentially launching a product, what your anticipated launch. You know, it sometimes was used to support a quota request, but not necessarily -- we didn't use it as part of our SOMS program.

Q. So who at Watson was in charge of the quota request?

A. I was involved with quota request.

Q. So you would have been -- in the course of your work, you would have encountered IMS data; is that right?

A. But when you talk about IMS data, there's all different types of data. So this, you know, if it was a quota request, if it was for something like a launch, sales and marketing would provide us justification and that, based on data, they anticipate capturing this much of a market, for example, of a product.

Q. So where that DEA quota is established, typically annually?

A. Yes.

Q. And as part of the analysis that you would do at Watson, would you examine IMS data,

say, for -- let me start over.

As you think about the annual analysis that you did for the generic opioids at Watson, would that involve looking at the IMS data across the various NDAs for a particular molecule to establish Watson's deserved level of quota?

A. Are you talking about ours against others or --

Q. Yes.

A. No.

Q. Would you look at the entire market for a particular molecule?

A. No. It's part of the quota request process that, you know, that's not something DEA would consider. The DEA would, would grant your quota request based on your historical sales and nothing to do with anybody else's in the market, so it would not be relevant.

Q. What would you use the IMS data for then?

A. For -- if you wanted to make a DEA request for quota and it's -- maybe it's a new product, so you don't have any sales history,

but you're estimating that we're going to launch this generic version of this product that's currently marketed by pharmaceutical company ABC, okay? So there is market data. So if this is the brand and these are the total prescriptions, we anticipate that a generic could possibly take 80 percent of that market.

So if the total prescriptions for this, for this molecule, or this product in this case, represents this number, that then we would do an exercise based on that to determine how much active material we would need to produce quantities for launch and post-launch quantities to have inventory on hand.

Q. So with regard to the data that you would buy from IMS for this, was there ever, as you know, as far as you know, any restrictions put on the use of the data?

A. Again, I, I didn't extensively use IMS data, and I was not involved of any type of interaction with IMS or the purchase of the data. Any data that I received was really just as I articulated and provided by sales and marketing.

Q. As you think about the launching of these generics that you're talking about, about how many times did you do it when you were in charge of the DEA affairs group at Watson and then Actavis?

MR. KNAPP: Form.

A. How often did we launch a product?

Q. Well, about how many times, yeah.

A. It's hard to quantify, but it was not a typical activity in my department.

Q. More than once a year?

A. Once a year, if that.

Q. So with regard to the IMS market data that would be collected, if the drug -- let me start over.

With regard to the IMS market data that would be collected by Watson, would Watson use that data to inform its Suspicious Order Monitoring System if the drug was approved?

So if Watson -- I'll ask this differently.

A. Okay.

Q. If Watson was granted part of the quota by the DEA and was allowed to market a

particular drug under that quota, would Watson use the IMS data that it had purchased in furtherance of the quota request to inform its algorithms and formulas in the Suspicious Order Monitoring System?

MR. LUXTON: Objection to form.

A. If you're -- if you're talking about a new product launch, we would receive data from, not necessarily IMS data, but based on from our sales and marketing folks as far as what we can expect as potential quantities based on their interactions with customers. We would receive estimates on, on that.

Q. So the market would reach -- let me start over.

So the data that you would seek out with regard to a new product launch would relate to the demand for the particular Watson generic?

Is that right to say?

A. Right.

Q. And not for the demand for the, the comparable NDC-coded generics?

A. You lost me there.

Q. So -- and I appreciate you taking the

time with me.
A. Yeah, not a problem.
Q. So what's your understanding of an NDC code?
A. National Drug Code is a number that, a unique number that is established and produced by the FDA for a particular drug. And it indicates the manufacturer, the labeling code, the quantity and fill size of a product and the strength.
Q. Right.
So if it was -- so an NDC code would say, for example, it was a bottle of a 100 pills, 20 milligrams each of a particular drug; is that right?
A. Right.
Q. Did you or anyone at Watson ever seek out complimentary NDC codes -- let me start over.
Did you or anyone at Watson ever seek out IMS data to complimentary NDC codes when launching a particular generic opioid?
MR. KNAPP: Objection. Foundation.
MR. LUXTON: Objection.

BY MR. EGLER:
Q. To inform the Suspicious Order Monitoring System?
MR. KNAPP: Same objection.
A. I'm still trying to grasp here.
Looking at IMS data for the innovator or the brand product are you talking about? Or for what?
Q. Well, as I'm thinking about it, for any complimentary NDC code. So if there is a brand version that's 100 pills of 20 milligrams each and then if there is a generic version of 100 pills, it's 20 milligrams each, did you ever seek that type of data out to inform the SOM program?
A. Well, the -- like I said, the information we received in regards to if we're talking about a product launch here is, again, we're going to make our case to the DEA for quantities that we need, and we're going to establish what launch quantities would be. These launch quantities are based on what our customers' needs will be.
So they are going to articulate to

us, that, hey, we buy -- and this -- this is a process that we would, you know, our marketing folks would meet with these folks. This is what we currently do in the brand, and we're going to be replacing probably 80 percent or whatever, 50 percent of that with your product.
So that's basically where these numbers are established as to what we can expect as what that customer's order behavior is going to be.
And what we would do in our SOM system is we would receive this data, and what we would do for any type of new product or even an NDC code change is we would essentially put the SOMS program on pend everything. Because we wanted to pend every single one of their orders going forward for at least six months to say, okay, to make sure that they're ordering patterns were righteous with what they're telling us in order to, in order to establish a baseline of normal ordering behavior prior to putting the system into the -- into the current system.
Q. Do you remember whether you or anyone

you knew of at Watson ever did an analysis to determine whether the initial demand from any of your customers was due to improper ordering or improper delivering so that the initial demand was improperly high?
MR. LUXTON: Objection. Form.
A. Like I said, we did analysis of what their current, their current business is. These are all customers, most -- they're not new customers. These are customers that are existing that we've done due diligence on, that we have a -- we maintain a relationship with them and that we have conversations with about these types of activities.
And so we have a certain comfort level that our -- you know, that having these strong customer relationships that, you know, and that they have a history of doing the right thing.
But we'll also look at what customers that they are going to distribute to. That is all part of the process.
Q. Do you remember whether Agent Rannazzisi ever warned registrants to examine

initial levels of orders by pharmacies or distributors to determine whether the initial level of a new customer was improperly high?

A. I don't know if Deputy Administrator Rannazzisi offered that information. That's something that we would have done anyway as just part of our due diligence.

Q. And how would you have done that?

A. As I just detailed.

Q. Okay. Anything else that you can think of?

A. No.

Q. All right. And going back to this Exhibit 12, I think we were on page 2.

A. Okay.

Q. There's -- throughout this document, there is a reference to a person named Bob.

Is that Robert Williamson?

A. Yes, sir.

Q. All right. And here it says -- we were talking about your discussion or your presentation on the first page.

A. Um-hmm.

Q. And on the second page of the

document, it says "Bob's overview DEA." And I had asked you this before.

This isn't your writing here, correct?

A. Right.

Q. This description of Bob's overview?

A. Correct.

Q. It says, "DEA plays by their own rules. Shoot first and ask questions later. They have a tendency to interpret the regs the way they want to and have been successful being aggressive against companies. Bob requested a list of all our customers from Napoleon, discussed customers, and would like a list of all our List 1 chemical customers."

In the context of your work, what does the term "List 1" mean?

A. A List 1 chemical is a chemical that can be a precursor or a chemical entity that's used in the manufacture of a product like a pseudoephedrine, ephedrine. These List 1 chemicals can also be diverted and used in the illicit manufacture of methamphetamine, therefore DEA controlled or regulated those

schedule listed chemical products.

Q. And then going down to No. 5, it says "OMS and SOMS."

A. Um-hmm.

Q. Oh, but going back to that No. 2 --

A. Sure.

Q. -- do you remember ever having a discussion with Bob about whether the DEA plays by their own rules and she shoot first and ask questions later?

A. No.

Q. All right.

A. Bob is -- was a former senior member of DEA. That's purely his opinion.

Q. All right. So I think going to the next page, No. 7, Bob's discussion again, it says, "DEA wants performance-based approach, statistically defendable model, uses language and regulations, September 2011 letter. No clients ever called Bob's organization questioning the SOMS program." K

That sentence there, "No clients ever called Bob's organization questioning the SOMS program," do you have an understanding of what

that means?

A. I think it's Bob stating that their product is statistically defensible and also that, you know, Bob's selling a product as well.

Q. Okay. Can you turn to -- it's the last page of the exhibit. It's 6492.

A. Yes.

Q. And it states, "Orders: How many ways are orders are placed? EDI, Electronic Data Intercheck."

In the context of your work, do you know what that term means?

A. It can be an order that's placed in an automated fashion with -- within the system. So maybe one SAP system talking to another business's in the electronic data exchange.

Q. All right. So then down on No. 17, it says "Path forward, evaluation 10 working days. Bob reviews everything with Ron Buzzeo. All communication will go to Tom and Scott. They recommended that SOMS and compliance regulation is tied into legal. And future compliance, remove labor intensity and automation."

Do you remember having that discussion during this meeting?

A. I don't specifically. It was a while ago, but I'm sure it took place.

Q. All right. You can set that document aside.

(Napoli Exhibit 13, Document entitled "controlled Substance Awareness: Understanding the Threat," Bates-stamped ALLERGAN_MDL_02054999 through 5022, marked for identification, as of this date.)

BY MR. EGLER:

Q. I'll hand you what we will mark as Exhibit 13. Can you look at Exhibit 13? And as you're looking at it, I'll read into the record that the first page -- well, the first page has no Bates numbers on it, but starting on the second page, it's ALLERGAN_MDL_02054999 through 5022.

Mr. Napoli, when you're ready, will you tell me if you recognize the presentation that appears after the first page of this Exhibit 13?

A. I recognize it.

Q. What is it?

A. This is a security awareness presentation that I put together to talk about to our security managers, our operations management, and our employees. Because part of our security program was security awareness, we wanted to have conversations with our employees about that drug diversion does exist and to talk about some of these instances and also to identify ways in which we can continually, you know, raise the awareness of employees so we can focus on ensuring that we have effective controls in place to, to mitigate the loss of any of these products.

Q. Okay. With regard to this document, it states "date created," on the first page, "February 2009" and "date last modified, August 2011"?

A. Okay.

Q. And it also states it's from your custodial file.

Do you remember using this document around 2011?

A. I don't specifically, but it's

possible.

Q. I think you said that this typically -- or this would be a presentation that you would typically give to employees internally; is that right?

A. Management supervisors, as well as security. And, again, it was to raise the level of understanding of the, you know, of the threats around controlled substance products in general.

Q. So with regard to this document, can you turn into the document to page 004 where it says "Organizational overview"?

(Witness complies.)

A. Yes.

Q. And I think we had talked about a number of people that appear on this organizational chart. And your name appears on the far left-hand side; is that right?

A. Correct.

Q. And where, if anywhere, on this is the -- would the Suspicious Order Monitoring System at Watson around this time, 2011, be placed?

A. Controlled substance compliance U.S.

Q. So that is underneath you; is that right?

A. Yes.

Q. And then with regard to the Mark -- is it Buban?

A. Buban.

Q. Buban?

A. Um-hmm.

Q. That's B-u-b-a-n. Manager, security and product protection Salt Lake City?

A. Um-hmm.

Q. Do you remember what products Watson made in its Salt Lake City facility?

A. Salt Lake City had a broad portfolio. And I, I couldn't speak to the non-controls, to be honest with you. It was not my -- my focus was on the controlled drug. But from a controlled drug standpoint, as we talked about before, testosterone, fentanyl transdermal and methylphenidate transdermal.

Q. So the next page, 005, it states, "We manufacture controlled substances that are among the most commonly," and then colon, it states,

"prescribed for legitimate medical need in the U.S. and encountered by law enforcement on the street."

I think we talked about that earlier; is that right?

A. Yup.

Q. And going to page 007, it says, "hydrocodone" and then in parentheses, "see Roman numeral 3."

Is that right?

A. Correct.

Q. It says, "Street names: Vikes, Hydro and Norco"?

A. Um-hmm.

Q. And then you write, "In 2006, DEA documented the diversion of millions of dosage units." And then you write, "The United States consumes 99 percent of the global hydrocodone supply."

Why did you write that on here?

A. Which statement?

Q. Well, let's go through the three of them.

The street name?

A. So we're trying to familiarize our security team members, as well as supervisors and managers, about the illicit use of these products. You know, our products are developed and marketed for -- to reduce legitimate pain in those in suffering, but also there is a percentage of products that are -- that wind up in illicit markets. And we're just providing insight to our employee -- to our members of management, supervisors, and security folks about the illicit side.

Q. You write -- and this is 2011, I think, when this is written.

A. Um-hmm.

Q. "In 2006, DEA documented the diversion of millions of dosage units."

Why did you write that?

A. Just to convey the magnitude of some of the issues that are going on.

Q. All right.

And the next one is, "The United States consumes 99 percent of the global hydrocodone supply."

A. Right.

Q. Why did you write that?

A. To put it in perspective as well.

Q. And of that, United States, I think you had said before, Watson, had -- is it 25 percent of the quota in its Corona, California, plant; is that right?

A. Yes.

Q. So and then the next page, 008, it's oxycodone CII. Street names: OC, OX, Oxy?

A. Um-hmm.

Q. And it says, "Popular among heroin users for alleviating effects of withdrawal and considered a white-collar addiction because of the perceived product safety."

Do you remember why you wrote that text in there?

A. Again, for employee awareness.

Q. And the next page talks about employee theft.

But then moving down onto -- I'm sorry. Page 17 or page 017 in the exhibit.

It states, "As management, we must," and the first one is "foster a work environment that engages employees to prevent loss and

removes the opportunity for theft" --

A. Um-hmm.

Q. -- "and then ensure that employees understand what their role is in the prevention of loss, consistently comply with the established policies and procedures and obligation to report diversion and suspicious activity."

Do you remember why you wrote that down, "obligation to report diversion and suspicious activity"?

A. Because it is a DEA requirement within the Code of Federal Regulations, and we wanted to ensure compliance.

Q. All right. You can set this document aside.

(Witness complies.)

BY MR. EGLER:

Q. I'll hand you what we will mark as Exhibit 14.

(Napoli Exhibit 14, NJPIG letter dated 7/20/11 from NJPIG Committee to Rannazzisi, Bates-stamped ENDO-OPIOID_MDL-02219848 through 19851,

marked for identification, as of this date.)

BY MR. EGLER:

Q. Mr. Napoli, could you look at what we marked as Exhibit 14. And as with the prior exhibit, I can remember which one, I'll just tell you this didn't come from the Allergan production.

A. Okay.

Q. That's why the bottom right-hand corner numbers are different.

A. Okay.

Q. It states ENDO-OPIOID_MDL-02219848 through 19851. But could you look at this document and tell me if you recognize it?

(Document review.)

A. I do recognize the document.

Q. What is this document?

A. This looks like a letter that we sent on behalf of the New Jersey Pharmaceutical Industry Group to Deputy Administrator Joe Rannazzisi. And it was about significant issues that were going on around this time frame with delays in receiving quota grants that were

impacting the manufacturers to be able to, to manufacture and ensure that there were adequate supplies for those patients in need of the products.

Q. So when you that term "delays in receiving quota grants" --

A. Sure.

Q. -- what does that mean?

A. It means that, you know, when -- when -- there's is a couple aspects to it. So when we talked before about the aggregate quota and also receiving manufacturer procurement quotas and procurement quotas are more relevant to the manufacturers of solid-dose products, there are established timelines within the DEA regulations that they have to meet, that they're obligated to meet to communicate the grants of quota-driven materials to industry.

And, for example, these -- there is a midyear adjustment as well as the towards the latter part of the year, you'll receive a grant for the next calendar year. And the DEA was consistently not coming close to meeting these obligations.

And by receiving these grants in a delayed manner, it would impact the company's ability to, if you don't understand what, what quota that you're receiving, you can't plan your manufacturing campaigns effectively and your manufacturing plants to be able to manufacture your product.

When they talk about the procurement process, the procurement quota process taking nine weeks or more, again, that was a process that would typically -- throughout the year, a DEA registrant based on sales, you can go back to the DEA and request more quota if it justifies.

Those types of requests were taking a protracted amount of time. Again, that was affecting the supply chain as well and the manufacturing process.

So essentially, this, this letter was, you know, an appeal to deputy administrator for us to try to identify a way where we can work on, you know, enhancing or improving these timelines.

Q. Do you remember with regards to this

letter seeing it when it was in draft form?

A. Excuse me?

Q. Would you have seen this letter before it was sent, while it was in draft form?

A. I would have seen it and I'm sure our attorneys would have seen it as well.

Q. I was going to ask you that next.

Well, let me get a little bit more general.

A. Sure.

Q. This letter is dated July 20th, 2011; is that right?

A. Yes.

Q. And at this time, July 2011, were you still involved in the New Jersey Pharmaceutical Industry Group on behalf of your then employer Watson?

A. Yes.

Q. Was anyone else from Watson involved in the New Jersey Pharmaceutical Industry Group at that time?

A. I was the main person.

Q. And so if this letter was sent in draft to the company representatives, you would

have received it; is that right?
A. Correct.
Q. So when -- as you think about your general processes or unless you have a particular memory, when you would have received the draft of this letter, what would you have done with it?
A. I would have reviewed the letter first, and I would have likely reviewed it with my boss and also have either had a meeting or sent it to our legal folks to review.
Q. Do you remember in particular with regard to this letter, having a meeting with the legal staff at Watson about it?
A. I don't remember a specific meeting.
Q. And do you remember -- do you have a particular memory of responding to the NJPIG about Watson's official opinion with regards to this letter?
A. I don't.
Q. Okay. At the end of this letter, there is the signature block, for lack of better term. It says "NJPIG committee."
Do you see that there?

A. Yes.
Q. And there is a person from Novartis, Noramco, Purdue, Reckitt Benckiser?
A. Benckiser.
Q. Benckiser.
And Halo Pharmaceuticals, right?
A. Um-hmm.
Q. Do you know why that subgroup of people from the NJPIG committee were listed here?
A. Those individuals served as kind of the core committee for the organization itself. I don't want to use the term "officers of the committee," but that could can be interpreted in that way.
Q. And one of those people is your former co-employee Tracey Hernandez, right?
A. That's correct.
Q. So do you remember talking with her about this letter?
A. No.
Q. The company that she worked for at this point, Reckitt --
A. Benckiser.

Q. -- Benckiser, do you know whether they made opioids?
A. I don't. I don't know the first thing about them.
Q. Okay. So going back to the first page of this letter, do you remember anyone from Watson -- let me start over.
Do you remember if anyone from Watson ever told you that this letter was not appropriate to send to Deputy Assistant Administrator Rannazzisi in July of 2011?
A. Not to my knowledge.
Q. And do you remember anybody saying that it was appropriate to send?
A. I don't have a specific memory.
Q. Do you remember anyone from Watson having any edits to the letter --
A. Not that I'm --
Q. -- to the draft?
A. Not that I'm aware. Sorry.
Q. All right. Now do you remember anyone from Watson ever commenting that beyond the quota issues that are raised here, there should be other issues raised to Deputy

Assistant Administrator Rannazzisi around this time frame, July 2011?
A. I don't recall any specific issues.
Q. So this letter talks about quotas; is that right?
A. Yes, sir.
Q. And let's start off broadly.
From the time you started in your DEA affairs position at Watson and through the time you left Actavis, did the quota on any Schedule II controlled substance granted Watson or Actavis go down?
A. I would say by the -- prior to me leaving the organization?
Q. Yes.
A. I definitely think that -- I believe some of the opioids quota went down.
Q. Do you have a particular memory of any particular opioid that went down?
A. I'm -- and, again, I don't have the numbers in front of me. Those can be easily found in the federal register. But I think that there were -- in some of the years where DEA focused on aggressive enforcement, I believe

that you, you probably saw hydrocodone either stayed the same or maybe go down, but I, but I can't swear to that.

Q. As you think of it, was any reduction in quota for an opioid at Watson or Actavis while you were there the result of company-specific activities or non-activities, or were they related to the entire molecule market?

MR. LUXTON: Objection to form.

MR. KNAPP: Objection to form and foundation.

A. So when I just spoke about reductions, I'm, I'm speaking of the aggregate, so that's everybody's. So as far as Watson's quota, I don't recall having reduced -- our quotas reduced. I mean, our quotas were commensurate with what our sales were. It was a direct relationship there. And I think, you know, there were times I think where our, our quota needs went down.

Q. When Watson's quotas needs went down, was their quota reduced?

A. It wouldn't be reduced. It would

just be -- well, organically it would be reduced because we would request less. It wasn't an action taken by DEA to take back your quota, is what I'm saying.

Q. So do you remember making a smaller quota request on any particular opioids in the time that you worked at Watson or Actavis?

A. I do.

Q. Can you tell me about it?

A. Oxycodone.

Q. Do you remember what year that was?

A. It would post 2012.

Q. All right. Any other ones?

A. Not that I recall.

Q. So oxycodone, is that a generic name for a brand-name opioid?

A. Oxycodone is the molecule, so it's the active ingredient which can be used in combination products, such as in combination with acetaminophen or aspirin. It could also be a single-entity product, such as like an OxyContin type of product.

Q. Do you remember whether Watson or Actavis made generic OxyContin?

A. OxyContin?

Q. Yes.

A. I'm not sure specifically how far we got into the market with that. I know it was being developed. I do know that there was a brief time where we were an authorized generic for Purdue Pharma, but that didn't last very long because of litigation that they had ongoing, so that was not a long lasting relationship.

But as far as -- I can't be exact. I know that it was a product that was in development, but I think that it was -- I don't know if it ever came to fruition or what the distribution of that product was.

Q. So as you think about the reduced quota request for oxycodone, do you remember the reason for it?

A. I do believe that when -- when we transitioned, we when bought legacy Actavis into organization, it became our SOMS program, there was a, a reduction.

Q. Do you remember the reason for the reduction?

A. It could have been our due diligence efforts when we re-onboarded legacy customers.

Q. Do you remember whether a new version of any brand name of oxycodone came out around that time?

A. As far as a brand?

Q. Yes.

A. We wouldn't have manufactured any brand. If you're talking about anything marketed by us, we would not -- we didn't have any brand oxy.

Q. And beyond any drug marketed by you, do you remember, say, for example, a tamper-resistant version of --

A. I was just going to say, there were various formulations that were being developed by innovators such as Purdue where it was increasing the tamper-resistant for controlled substance single-entity products like OxyContin.

Q. Do you ever remember whether that development, the tamper-resistant technology, had an effect of reducing Watson's or Actavis's quota request?

A. I don't believe there was a direct

correlation because we are largely talking about two different types of products where one is -- you know, a product like OxyContin is just purely oxycodone in larger controlled release quantities, where a lot of the products we manufactured were a combination products with, you know, smaller amounts, but, but combined with hydrocodone and oxycodone, with acetaminophen or two different types of delivery systems, two different types of products. Probably geared towards different types of patients, I believe, too, as well. I would imagine OxyContin is delivered more to an individual who has got some chronic pain where again you don't want that, the peaks and valleys of the efficacy of the product so...

Q. So with regard to the reduction in quota request that you're thinking of, would you characterize it as a drop-off in demand or a drop-off in supply or a drop-off in the number of customers or something else?

MR. LUXTON: Objection to form.

A. I couldn't speculate on that.

Q. Do you remember at some point ever

inquiring about that?

A. I don't recall.

Q. As you made the reduced quota demand for the --

A. Well, I mean, obviously if we're making a quota request or if we're not due for a quota request is because of diminished sales.

Q. Do you remember what the reason for the diminished sales were?

A. That, I don't know.

Q. All right.

MR. LUXTON: Before we go to the next document, can we take a quick bathroom break?

MR. EGLER: Sure.

THE VIDEOGRAPHER: The time is 2:37 p.m. We are going off the record.

(Recess is taken.)

THE VIDEOGRAPHER: We are back on the record at approximately 3:05 p.m.

(Napoli Exhibit 15, Watson document entitled SOMS Project Evolution IT Governance Meeting, Bates-stamped ALLERGAN_MDL_02468983 through 68994, marked

for identification, as of this date.)

BY MR. EGLER:

Q. Mr. Napoli, you understand you are still under oath?

A. Yes.

Q. Could you look at what I've just marked as Exhibit 15?

And as with other documents I've handed you today, the first page has no Bates number, but starting on the second page, the Bates numbers are ALLERGAN_MDL_02468983 through 68994.

Can you take a look at this document, and when you're ready, tell me if you recognize it.

(Document review.)

A. I do.

Q. What is this document?

A. It's a document I guess detailing the anatomy of our SOMS project.

Q. So as you think about this document, that is Exhibit 15, were you responsible for it or somebody in your group responsible for creating it?

A. For this document itself?

Q. This particular document.

A. I don't have an exact recollection. I could have contributed to this.

Q. All right. So as you look at this document, do you have an understanding of who this presentation was made to?

A. Based on the fact that it's an IT governance meeting, I'm thinking perhaps some -- our IT folks.

Q. Have you ever heard that term "IT governance" in the course of your work at Watson?

A. I have.

Q. What does that term mean to you?

A. Well, from a governance perspective, I would think, and it's IT, I would think that ensuring that any systems or IT-related programs that we're utilizing within the organization meet the requirements in compliance with our standard operating procedures.

Q. When you think of an IT department at Watson while you were there around this time, April 2012, do you think of one or a couple of

particular people that stand out in your mind?
A. Not really.
Q. So going into this document, on the fourth page, it's 8984. At the top of the page it states, "Regulatory Requirement.
A. Um-hmm.
Q. And it states -- it has the language of that 21 CFR 1301.74 (B), right?
A. Yes.
Q. And you see that?
So I'll just read it in the record.
"The registrant shall design and operate a system to disclose to the registrant suspicious orders of controlled substances. The registrant shall inform the field division of the administration in his area of suspicious orders when discovered by the registrant. Suspicious orders include orders of unusual size, orders deviating substantially from a normal pattern, and orders of unusual frequency."
Do you see that?
A. Yes, sir.
Q. And then the next one says, "Further

guidance, December letter of 2000." It states, "Registrants that rely on rigid formulas to define whether an order is suspicious may be failing to detect suspicious orders. For example, a system that identifies orders as suspicious only if the total number exceeds the previous month by a certain percentage or more is insufficient."
Do you see that there?
A. Yes.
Q. That second group of, or that second paragraph that I read, do you recognize that as being from the letter authorized by Mr. Rannazzisi?
A. Yes.
Q. And do you remember whether, in that same letter, Mr. Rannazzisi highlighted the term "include" in the 21 CFR 1301.74 (B) language above, that suspicious orders "include" orders of unusual size, orders deviating substantially from a normal pattern, and orders of unusual frequency?
A. I don't recall if that was within the letter.

Q. And that there may be more than those three requirements or conditions for something to be a suspicious order?
A. I don't recall if it was in the letter.
Q. All right. So moving down into this, on the next page, page 8985, it states, "Current automated model," and it has various texts there.
Can you read that text to yourself and tell me what, in your opinion, it describes?
As you're reading it to yourself, I'll read it into the record.
"Current automated model designed and implemented within SAP, primary user is customer relations," then, dash, "order intake process."
And then it states, "Based on a 'threshold,'" and then, dash, "customer groupings," and then a bullet point, "class of trade," and then three dashes underneath there, "wholesaler, retail chain, distributor, mail-order, et cetera," then another dash, "monthly average based on 12" -- "based on rolling 12-month period," and then "multiplied

by static multiplier equals monthly allowable."
So as you think about that whole page together, does that describe the Watson Suspicious Order Monitoring System around this time April of 2012?
MR. KNAPP: Objection to form.
A. It describes a component of the system.
Q. Okay. Then it has that term that we talked about earlier, "class of trade."
Do you see that there?
A. Yes.
Q. Class of trade, it then says, "wholesaler, retail chain, distributor, mail order, et cetera."
Is that what you understand a class of trade to be?
A. Yes.
Q. All right. How about the next language that's down there, "monthly average based on rolling 12-month period," is that class of trade?
A. No.
Q. Okay. Why would that be listed there

under "class of trade"?
Could it be just a mistake --
A. Yes.
Q. All right. And if you were tabbing it today, putting it under a bullet point or a dash, where would you put it? Would you put it as the same as based on a threshold, customer groupings, or somewhere else?
A. I may put it under a bullet of formula.
Q. Okay. And then the next one, "multiplied by static multiplier equal monthly allowable," would you put that under the same formula bullet?
A. Yes.
Q. So if you can turn to that next page, 8986, it states "Customer groupings."
Do you see that there?
A. Yes.
Q. And it states, "Individual customer ship to location monthly average based on 12" -- no, "monthly average based on rolling 12-month period," and then "multiplied by static multiplier equal monthly allowable."

It seems to be similar language to the prior one?
A. Yes.
Q. What does that "customer groupings" mean?
A. Not having authored this document, I don't know. I don't want to speculate.
Q. And then it states, "Order pending." And then the next bullet point is, "Multiplier table is populated manually based on estimation."
Do you have an understanding of what that sentence means?
A. I believe it indicates that the multiplier is set manually based on a review of the -- what the normal behavior could be estimated to be with a customer.
Q. Now as you think about your time at Watson and Actavis, do you remember about this time, April 2012, who would have set the multiplier that's referred to in this page 8986?
A. Setting the multiplier was the responsibility of my group.
Q. Do you remember if there was one

person in particular who would have set the multiplier?
A. I would have authorized it.
Q. So with regard to setting the multiplier, as you think about it, would the multiplier be the same for every order by a particular customer or would they differ with regard to different orders by customers or something else?
A. It would be the same for each customer.
Q. So, say, McKesson was one of the customers, every multiplier -- let me start over.
Say McKesson was one of the customers, the multiplier for every order by McKesson would be the same; is that right?
A. Right.
Q. So going down further into the document, "Current Automated System Evaluation" down below, it says "Based on compliance concerns."
Do you remember there being concerns about whether Watson's Suspicious Order

Monitoring System complied with the DEA regulations and laws in April 2012?
A. I don't recall any specific compliance concerns, but only our desire to enhance the system.
Q. Okay. Do you remember ever -- anyone ever telling you that they had concerns about Watson's Suspicious Order Monitoring System complying with the DEA regulations and laws around this time?
A. Not that I recall.
Q. All right. And then it says below, "Increased enforcement action by DEA in the area of SOM audits."
And then, "Most recently Cardinal and CVS failing to maintain systems to detect diversion."
Do you see that there?
A. Yes.
Q. Do you remember that around this time that Cardinal Lakeland Distribution Center being shut down?
A. I don't have a specific memory, but I do know that they had a distribution center that

was, I don't know if it was completely shut down or if there is was a temporary order. I'm not sure.

Q. And I guess "shut down" isn't the right way to say it.

They were unable to sell controlled substances; is that right?

A. Correct.

Q. Okay. So the next bullet point down states, "Expectation that we know our customers' customers."

Do you see that there?

A. Um-hmm.

Q. Do you remember where that language came from, "expectation that we know our," that we, quote, "know our customers' customers," unquote?

A. I don't.

Q. It states, "Cross-functional team established in 2010."

And I think we talked about that before, right?

A. Right.

Q. And as you understand it, the

cross-functional team that's referred to there is the group from customer service and the group from the DEA affairs; is that right?

A. That's correct.

Q. Oh, and below, it says, "Security and DEA affairs, IT and customer relations."

And the IT component is programming the automated system into the SAP process; is that right?

A. Right. Or from a project management standpoint of implementing a new -- if we went with a new algorithm into the system.

Q. And then "Establish goals, compliance and efficiency."

And, again, do you remember there being a discussion about compliance around this time frame?

A. No, I do not.

Q. All right. And then the next one is, "Budgeted for third-party evaluation in 2011."

A. Right.

Q. And then turning to the next page, "Automated System Evaluation," it starts talking about Cegedim-Dendrite; is that right?

A. Yes.

Q. And is that the evaluation that we were talking about in the exhibit before we took the break?

A. Correct.

Q. So the next page is "Findings."

Do you see that there?

(Document review.)

A. Yes.

Q. So it states -- as you see that word "Findings," can you -- do you have an understanding what that means in the context of this document?

A. These would be observations that were made by the consultant.

Q. And the consultant was Buzzeo?

A. Yes.

Q. And it says, "Use of multiplier to create monthly threshold."

And it says, "Not consistent with specific requirements noted within regulations and guidance, and current system will detect a certain percentage of suspicious orders but not all."

Do you see that there?

A. I do.

Q. Do you remember that being a finding that the Buzzeo group made about the Watson system in early 2012?

A. I don't have a specific recollection.

Q. Do you remember -- and, you know, I put a date limitation on that.

Is your lack of specific recollection based on the date or something else?

A. It's just... it's been a while.

Q. And then it states, "Current model evaluates at SKU level."

Is that pronounced typically "skew"?

A. Yes.

Q. All right. What is a SKU?

A. A SKU is just one, one product. So it can be oxycodone 10325, 100 fill count, SKU.

Q. Do you recognize the difference between a SKU and an NDC code?

A. The SKU could be -- yeah, there, there is a difference between the two. I don't know the exact -- SKU is more of a -- we're kind of exceeding my, probably my area of expertise,

but they're both unique identifiers.
I think what this is saying here is that by looking at it at the SKU level, we're not looking at the total molecule. And that was an enhancement. So that's something where we could have enhanced.
Q. All right. So it states, "Current model evaluates at SKU level. Possibility of distributing orders across multiple SKUs without detection."
So that's where you're talking about it can be the same, as you refer to it, molecule but with different SKUs?
A. Right.
Q. And then the next one is, "System does not evaluate listed chemicals"?
A. Right.
Q. I think we talked about that earlier as well?
A. Right.
Q. Those are the precursor chemicals that you talked about?
A. Right.
Q. And then on the next page, 990, it

states, "Revisit approach to SOM to fully address specific regulatory requirements."
And then it states, "Develop SOM that is a 'non-threshold-based adaptive' -- I'm sorry, let me read it.
"Develop SOM that is a, 'non-threshold-based adaptive,' system trained to identify suspicious orders by utilizing a set of historic markers to include," and then another bullet point, "statistical scoring of active ingredient order volume versus history, active ingredient order versus short and long-term trend, identification of high/low frequency ordering behavior."
And then the next bullet point is "Base system on milligram strength rather than SKU."
A. Um-hmm.
Q. And then, "Include list of chemical within system."
And then, "Based on recommendations, GS and DEAA requested a proposal and quote."
In the context of this document, do you know what GS and DEAA would be?

A. Global security and DEA affairs.
Q. And your group was DEA affairs; is that right?
A. Yes.
Q. And then the next dash is "Establish meeting with IT and consultant."
A. Um-hmm.
Q. "Understand scope, confirm that solution was appropriate and achievable." And then the next one is "Budgeted for 2012 implementation."
Do you see that there?
A. Yes.
Q. Do you remember the -- do you remember whether there was a decision around this time, April 2012, to implement the Buzzeo system at Watson?
A. Yes, I believe there was.
Q. All right. Do you remember who made that decision?
A. It would have been my management.
Q. Did you support the conclusion to implement the Buzzeo system?
A. I definitely supported enhancing our

system. You know, the automated system that we're talking about is -- we are talking about just one component within the system, that's what I want to make clear. So we're not relying on one component of a system as our Suspicious Order Monitoring program.
Q. And as you had been talking about earlier, in addition to this process, there is the onboarding process and reviews; is that right?
A. The Know Your Customer due diligence.
Q. And Know Your Customer due diligence.
And then beyond the automated system, there is a process of customer service clearing and then, if necessary, DEA affairs clearing of orders; is that right?
A. Yes, sir.
Q. And if none of those processes work, the order will be reported to the DEA as suspicious; is that right?
A. Correct.
Q. All right.
All right. You can set this aside.
A. Okay.

(Witness complies.)
(Napoli Exhibit 16, Watson document entitled SOMS Project Evolution IT Governance Meeting, Bates-stamped ALLERGAN_MDL_02187196 through 87199, marked for identification, as of this date.)
BY MR. EGLER:
Q. Mr. Napoli, I'm handing you what I marked as Exhibit 16.
Mr. Napoli, can you look at that exhibit? And while you're looking through it, I'll read it into the record. It's ALLERGAN_MDL_02187196 through 87199.
And I'll tell you for the record, there -- as I read it, there are two emails in this exhibit, plus an attachment. And the last email in time, the first one on the page, the first page of Exhibit 16, you're not included in that email.
A. Okay.
Q. So you can read it, but I'm not going to ask you questions about it.
A. Okay.
Q. The one below, Tuesday, October 4th,

2011, is from Lisa Scott to Mary Woods, and it cc's you; is that right?
A. Yes.
Q. And it states, "Investigation summary."
And Lisa Scott writes, "Mary, please see the attached. Thank you."
Then what follows is a two-page attachment that is called "Investigation Summary, Suspicious Order, TopRx, Inc."
And I want to ask generally about this two-page part of the exhibit.
A. Um-hmm.
Q. Do you recognize this format?
A. I do.
Q. What is this format?
A. This would be an investigation summary that we utilized by our department.
Q. So as you think of it, would this be the type of investigation summary that would be done by the DEA affairs group or by the customer service group or something else?
A. This was performed by my group, DEA affairs.

Q. All right. This investigation summary is then sent to Mary Woods, who was in the customer service group.
A. Yes.
Q. Do you have an understanding of why she would be contacted with regard to an investigation summary?
A. Mary was our partner with Suspicious Order Monitoring, as well as she was on the customer-facing side as well too. So if we needed to set up a meeting, a partnership meeting to discuss this matter, she would be likely the person to facilitate that for us.
Q. So with regard to -- you used the term "partnership meeting." Would you have a partnership meeting -- well, let me start over.
With regard to that term "partnership meeting," as you think of the context of this document, why would Watson be calling for a partnership meeting with TopRx, Inc.?
A. Because based on an investigation that we performed and our findings, that we found activities that were not consistent with complying with the CFR, and we wanted to let

them know of that, that -- what our findings were and discuss a path forward.
Q. So at this point in the process, can you tell from the investigation summary whether Watson had contacted the DEA about the issues raised in the investigation summary?
A. I know for a fact that we provided all this information to the DEA.
Q. Would you have provided the information to the DEA before this investigation summary was written and before TopRx was contacted or after?
A. We would have reported that to DEA upon discovery that the order was suspicious.
Q. Okay. In the document, the Investigation Summary, does it say that Watson personnel had contacted the DEA?
(Document review.)
A. I don't see where it does, but I know that they were contacted.
Q. And as you think of it today, you based that on your -- excuse me -- your experience and typical processes at Watson; is that right?

A. I have a distinct recollection of this case.
Q. What do you remember about this case?
A. I remember most of the details of this case because I remember that it was something that -- I was involved with in the investigation, and that we -- the type of activities that we uncovered, and I do recall that this was reported to the DEA.
Q. Do you remember whether at some point Watson stopped shipping to TopRx?
A. Absolutely. We cut them off.
Q. And do you remember whether TopRx's license was -- let me start over.
Do you remember if TopRx's ability to sell controlled substances was ever withdrawn by the DEA?
A. I don't believe there was any action taken by the DEA against TopRx.
Q. All right. So let's move on.
I'll hand you what we'll mark as Exhibit 17.
(Napoli Exhibit 17, Email chain beginning with email dated 4/26/12 from

Picone to Woods with attachments, Bates-stamped ACQUIRED_ACTAVIS_01179002 through 005, marked for identification, as of this date.)
A. This looks like the last --
Q. Okay. This is a repeat. Can you hand me that back and I'll see if I can get the tab off of it. I'll just make another tab. So you can set this one aside.
MR. KNAPP: Are we not moving on?
MR. EGLER: No, just set it aside. I'm going to introduce another document that we'll mark as 17 because we are totally modular and we don't use electronic documents.
BY MR. EGLER:
Q. With that side trip, Mr. Napoli, could you look at this document that we've marked as Exhibit 17?
A. Yes.
Q. And as you're looking at it, I will read into the record the Bates numbers, which are a new set of Bates numbers, Acquired Actavis -- Acquired_Actavis_01179002 through 005.

I'll represent to you that this document was produced as a family of documents, so it's an email, plus other documents put together.
A. Um-hmm.
Q. And could you read through it generally and when you're ready, tell me if you recognize this document?
A. I don't recognize it.
Q. All right.
A. I hope you don't ask me to interpret this second attachment here.
(Laughter.)
Q. And I apologize.
A. I don't have my binoculars.
Q. The second attachment that you're referring to has teeny, tiny little numbers.
And in the course of us talking about this, if you need to refer to that data, I can go and get it on a computer and you can look at it. But I just want to let you know, because it is mentioned as a piece of the document, you can see generally what it is.
A. Okay.

Q. So the first two pages of this email, of this Exhibit 17, is an April 17th and April 26th email chain.
Do you see that there?
A. Yes.
Q. And the first email in time comes from Mary Woods and it goes to Napoleon Clarke and Toni Picone?
A. Um-hmm.
Q. Who is Ms. Picone?
A. An individual who worked in marketing with Napoleon. Sales.
Q. And it's T-o-n-i?
A. Yes.
Q. Ms. Woods writes, "Hi, Napoleon and Toni. I have a few marketing questions regarding the hydrocodone market which I am hoping you can assist with.
"As you know, the increased order volume in many of the hydrocodone SKUs has been significant over the past several weeks. I am intending to use the information provided to discuss the market demand and market share with the DEA compliance team."

And she asked a number -- she makes a number of requests for data information.

Do you see that there?

A. I do.

Q. All right. And then that's on April 17th.

On April 26th, Ms. Picone writes back to her and Mr. Clarke, Napoleon Clarke, and cc's Lisa Scott, you, Sandy Simmons, Scott Soltis and Andrew Boyer.

And we haven't talked previously about Mr. Boyer.

Do you remember Mr. Boyer?

A. Yes.

Q. Who he is?

A. Andy Boyer was our head of sales.

Q. Would Mary Woods's department be under Mr. Boyer?

A. Yes.

Q. The sales group, like Napoleon Clarke, he would also be under Mr. Boyer?

A. Correct.

Q. And so would Ms. Picone?

A. Yes.

Q. So Ms. Picone writes back, "Hello all. Please see answers to the below questions as per our meeting today."

And she has six points there. "Amneal, Qualitest, and Mallinckrodt are the suppliers that customers are telling us the reasons for the supply shortages in the market. Amneal has discontinued to select customers only and Mallinckrodt has sent letters that they have backlog and are trying to ramp up as a result of the quota."

Do you remember receiving this email?

A. I don't.

Q. As you sit here today, the email is called "Hydrocodone supply issues - market demand."

As you read that point one that Ms. Picone writes, what does that mean to you in the context of the document?

A. My interpretation of this document --

Q. Yes.

A. -- is that there is a shortage due to certain manufacturers not receiving quota and having the inability to manufacture. So other

customers of Watson are looking to come over to us to order because we had sufficient quota and they were looking to order the product to meet their customers' needs.

Based on this -- what we're seeking here, this justification is because my team likely pended a lot of orders and refused to move on them until we had justification, which probably prompted this meeting so we can get a rationale around why the change in ordering behavior, and you can see in there where we're requesting data and forecasts so we can put some rationale around what these new demands would look like for us, rather than just approve these orders.

Q. Okay. Ms. Picone, as you were talking about it, she writes, "The customers who are no longer receiving product from Amneal is a permanent change and those who are short for Mallinckrodt we expect to be temporary."

Then she says, "We do not know how long the increased demand will be for temporary change. Mallinckrodt's letter states through May."

And then she states, "Customers typically do not proactively provide marketing with increased forecasts. However, we are closely monitoring the orders and when we see increases in orders, we do reach out to customers to ask for revised forecasts and/or monitor the 852/chargeback data to determine if their sales out is increasing."

She uses that term "852/chargeback data."

Are those the same 852 and chargeback that we talked about earlier today?

A. 852, yes.

Q. And then she states, "If we receive increased forecasts from customers, we will provide them to the master data team. In addition, if the master data team receives revised forecasts, they will provide to marketing."

And she says, "There is potential market share increase of approximately 15 percent to 20 percent based on our share versus our competitors' as of Q4 '11, per the IMS EU data."

As you read this document, you see that term IMS EU, what does that mean to you?

A. I would interpret it as the -- that IMS is providing the data on market share. EU, I don't know what that means. I know it's not European Union.

Q. That was what I was going to ask.

So you don't have any feeling either way?

A. No. I think this email is a great example of communication between the various departments in making educated decisions on rationalizing orders, though.

Q. So let's keep going on it. I agree with you.

She says, "I have attached recent TRX data from IMS so you can see the market trends by competitor. I also attached a copy of Mallinckrodt's letter that they sent to customers for your reference."

So that reference there, TRX data from IMS, do you have an understanding of what that means?

A. Total prescriptions written.

Q. Okay. So total prescriptions written from IMS, what would that encompass?

A. I believe that would provide the blinded prescription information for a particular manufacturer's product.

Q. All right. So and as we are talking about this hydrocodone, do you understand hydrocodone to be, as we've been talking about it, to be a molecule or a product or something else?

A. It could be -- hydrocodone in its raw form is a molecule. The product itself is when it's in a finished dosage form.

Q. In fact, was Norco a hydrocodone product?

A. Yes.

Q. Ms. Picone is sending the total prescription data from IRS -- from IMS so that Mary Woods can see market trends by competitor, and that would relate to the hydrocodone market; is that right?

A. Yes.

Q. So at any time did you seek data on market trends by competitor to inform the

automatic part of the -- or the automated part of the SOM system at Watson or Actavis?

A. No.

Q. Okay. Then you said that this was a good example of communication between the various groups at Watson; is that right?

A. Right.

Q. And do you remember whether this type of communication took place to inform the automated part of the Suspicious Order Monitoring System at Watson?

A. When you refer to the automated part, I mean -- I think you would be referring to the folks that manage the SOMS program, so that would be my group. So certainly we were definitely aware of this. This is information we relied on to make educated decisions.

Q. And the decisions that you're talking about would be decisions made once an order pended in the -- in the case of your group, once an order pended and then was investigated by the customer service group; is that right?

A. Well, initially, this would have been investigated by the customer service group. It

would have went to us because we're seeing a trend here of these orders that are way out of line with ordering behavior, and that's what prompted this whole team meeting and discussion and we identified that there was a market issue. So we wanted to explore that because we want to explain why we're seeing these spikes in ordering behavior.

Q. And the market issue that you analyzed with regard to this time frame, did you ever look at those market issues and try to import them into the automated part of the Suspicious Order Monitoring System?

A. I don't think there would be a way to incorporate those into this, but just of having that knowledge of what these quantities look like, we would be -- certainly, our DEA affairs team would be aware of these increases and these volumes so -- because these orders would continue to pend. It wouldn't be part of a 12-month rolling history. So these would pend every month and we would review to make sure they were in accordance with the data provided to us, and until such time that the ordering

behavior normalized. And that would be something that would happen outside of the system, outside of the automated system.

Q. So that market demand data that Ms. Picone would is talking about would be used to determine whether the orders that had already pended should be cleared or passed on to the DEA affairs and then the DEA itself; is that fair to say?

A. Right.

MR. LUXTON: Objection to form.

BY MR. EGLER:

Q. But they would not be part of the automated system itself?

A. Right. This is a unique event so that would be hard to implement into an automated system.

Q. Do you know if anyone in your group ever asked whether this type of TRX data from IMS could be brought into the Suspicious Order Monitoring System?

A. I don't. I don't know what would be gained by having the total prescriptions by the whole market in our SOMS system.

Q. So with regard to the total prescriptions for the market trends by competitor, the hydrocodone market, as you think about it here, would that be in the main generic products?

A. Can you ask the question again, please?

Q. So as you think about the hydrocodone market --

A. Right.

Q. -- generally, around this time frame, 2012, would it be dominated by brand names or dominated by generics?

MR. KNAPP: Form.

MR. LUXTON: Objection to form.

A. I couldn't speak to exactly the percentages.

Q. All right. So with regard to your knowledge of Watson's production, we had seen earlier that they had 25 percent of the quota produced out of their Corona, California plant, plus more from the Florida plant.

As you think about that production, was that mostly brand names or mostly generic or

something else?

A. Mainly generic.

Q. Okay. Are you aware whether the Watson balance of brand names versus generics was different from the market as a whole?

A. I can't answer that. I just don't know.

Q. And as you sit here today, you don't think knowing the entire market trends by competitor for the hydrocodone supply and demand issues would help inform a Suspicious Order Monitoring System?

MR. LUXTON: Objection. Asked and answered.

A. At this time, I couldn't speculate on how the total lawful prescriptions written would assist us.

Q. And you're not aware of any time when that type of integration of information was discussed at Watson or Actavis; is that right?

MR. KNAPP: Form.

A. Not that I took part in.

Q. All right. So you can set this document aside.

(Witness complies.)

(Napoli Exhibit 18, Cegedim document entitled Buzzeo PDMA Suspicious Order Monitoring Seminar, Bates-stamped ALLERGAN_MDL_02467214 through 7216, marked for identification, as of this date.)

MR. EGLER: Here you go.

(Handing.)

BY MR. EGLER:

Q. Mr. Napoli, can you look at the next exhibit, it's Exhibit 18.

A. Sure.

Q. And again, the first page is a metadata page and then on the second page it's ALLERGAN_MDL_02467214 through 7216.

Can you look at this document and tell me if you've ever seen it before.

(Document review.)

A. I have seen it.

Q. What is it?

A. This is an agenda from a Suspicious Order Monitoring seminar that was conducted by Cegedim in Chicago in 2012.

Q. So on the last page of this document

entry, three o'clock to 3:45 p m., it says, "SOM experts compliance panel." It says, "A Q and A panel designed to answer your SOMS compliance questions."

And Mr. Buzzeo is the moderator.

The first person listed on the panel is you; is that right?

A. That's correct.

Q. Do you remember serving on this panel in October of 2012?

A. I do.

Q. What did you talk about when you were serving on this panel?

A. I don't have an exact recollection.

Q. All right. So as you look at this panel, you were the only person from a, for lack of a better term, DEA registrant; is that right?

A. Yes.

Q. Do you remember having discussions with any other DEA registrants at this conference?

A. I don't have any distinct recollections of conversations with our registrants.

I do recollect that one of my key topics was about Know Your Customer, because we were recognized as having a strong program and also asked to be on the panel because of over the years of my acquiring a great deal of knowledge in the area.

Q. So with regard to the Know Your Customer topic that you're thinking of, as you think about this time end of 2012 at Watson, about how many customers for controlled substance product did Watson have?

A. I'd say less than a hundred, but I don't want to -- that would be a guess.

Q. Whatever range you're comfortable with saying.

A. Sure.

Q. It's fewer than a hundred.

A. Fewer than a hundred.

Q. More than 50?

A. Yes.

Q. And as you think about the typical time frame -- let me start over.

As you think about the time frame of your being the head of DEA affairs at Watson and

then Actavis, each year about how many new customers, on average, do you think came in to the company?

A. Zero.

Q. All right. And did they have any new customers at any point?

A. There may have been one or two. We had a long-standing customer base and we -- it was a very rare occasion if we took on a new customer for controlled substances.

Q. When you talk about the onboarding process for the time that you were the head of DEA affairs at Watson from 2009 through whenever you left, about how many times was there an onboarding process?

A. I don't have a direct recollection.

Q. Fewer than a dozen?

A. Yes.

Q. Fewer than five?

A. I don't know.

Q. All right. And then with regard to the Know Your Customer processes that you talked about on this panel, do you remember what you presented on?

A. Presented on our process for reaching out, establishing strong relationships with our partners, identifying compliance colleagues at the other organizations, understanding who their customers are and how their business relates to our product, an overview of what their security programs and compliance programs are, ensuring that they were compliant with -- their -- with the CFR, as well as ensuring that we also had a compliance agreement that we would ask our customers to acknowledge as well too. So.

Q. And around this same time, October of 2012, Watson had planned on implementing the Buzzeo automation part of the Suspicious Order Monitoring System; is that right?

A. Correct.

Q. And also around the same time, late 2012, is this when Watson and Actavis announced their combination?

A. Yes.

Q. So do you remember whether Watson implemented the Buzzeo process that it had planned on implementing?

A. They did not.

Q. Do you remember what it did instead?
A. We continued with our -- our current system. The reason why we didn't implement it, with the acquisition of Actavis, there was a freeze-out period within SAP because of this -- without getting too into detail, the process of lifting an entire company and moving all their products into the business system, there was a quite extensive freeze-out period where you couldn't make any changes to the business system. So that would have held us back from implementing our system.
Q. And that freeze out and implementation took place in the years 2012 and 2013; is that right?
A. We had at Watson/Actavis there was a period where there was a series of, what I would call, multiple M&A activities in successive years.
Q. Okay. Let let's leave it at that for now.
A. Okay.
Q. All right. Let's move on. You can set that document aside and we'll move on to 19.

(Napoli Exhibit 19, Email chain beginning with email dated 9/27/12 from Napoli to Lepore and others, Bates-stamped ALLERGAN_MDL_04173111 through 113, marked for identification, as of this date.)
BY MR. EGLER:
Q. Received what's marked as Exhibit 19, can you look through it. As you're looking through it generally, I'll read on the record, it's ALLERGAN_MDL_04173111 through 113.
And as you look at this document, can you tell me what it appears to you to be?
(Document review.)
A. This appears to be an email that is in regards to our Suspicious Order Monitoring folks, the customer service side, pending an order for further review for an increase, and us asking for additional information and subsequently releasing the order.
Q. On the second page of Exhibit 19, the first email in time, Victoria Lepore writes to a person named Jared Green and Robert Gettus about an order that's being held; is that right?
A. Um-hmm.

Q. And then she writes back to him again on September 27th in the morning.
And then the response from Cardinal Health is at the top of that page.
Do you see that there?
A. Yup.
Q. All right. And the person from Cardinal Health writes, "We are seeing increased volume due to Mallinckrodt being on back order. Please let me know what additional information you need to release this order."
Then Ms. Lepore forwards that on to a group of people, not including you, "Attached please find the customer's response along with the SOMS order. I'm also attaching the controlled substance for your reference."
A. I think that means report.
Q. Okay. What would a controlled substance report be in this context, as you understand the workings of the Suspicious Order Monitoring System?
A. A controlled substance report in this context would be most likely an imported or Excel file that would provide us with a snapshot

of a customer's 852 data, sales month over month by SKU for a particular product, and in this case it would give us a specific on this product itself. So it would give us more detail and insight into the customer's ordering behavior.
Q. And then she goes on to say, "Based on the controlled substance report, they don't go over their customer's allowance per month until this month, and they didn't order any product in August."
This takes place, this email is in September; is that right?
A. Yes.
Q. And then the next email up is later in that day, she writes to the same group, "Please let me know the status of the record. Need a response as soon as possible."
A. Um-hmm.
Q. And you respond; is that right?
A. Yes.
Q. And you respond, "Hi, Vicky, DEA affairs has evaluated and approved -- approves the release of this order. Although the customer is citing Mallinckrodt back order

situation as justification, can you have them articulate which customers specifically has have been affected and are utilizing Watson product as a result? Thanks very much. Tom."

So with regard to this email, was it your practice to typically release pended orders that had been raised to the DEA affairs Group as part of your job.

MR. KNAPP: Objection to form.

A. I was not typically in the role of releasing orders, but I would do it on occasion.

Q. Do you have a memory as to why you released this particular order?

A. It could have been one of my staff on vacation.

Q. And then with regard to the email that you send, you asked for further information from Cardinal about the -- about their customers.

Do you see that there?

A. Right.

Q. Do you remember, that was a typical practice of releasing an order and then asking for more information?

A. I can't speculate. There may be a lot more detail to this behind the email.

Q. Okay.

A. And I'm also confused about the time. The time is showing that it's before the other time email sent.

Q. Right. So what you're pointing out is, Victoria Lepore's email is sent on September 27th, 2012 at 2:04 p.m. and your email appears to be that same day at 11:51 a.m.

A. Right.

Q. So about two hours before that.

A. Yeah.

Q. All right. But as we sit here today, you don't have a particular memory of this process?

A. Correct.

Q. So you can set that one aside.

(Witness complies.)

(Napoli Exhibit 20, Email chain beginning with email dated 6/26/13 from Collins to Napoli, Bates-stamped ALLERGAN_MDL_02179760 through 772, marked for identification, as of this date.)

BY MR. EGLER:

Q. I'll hand you what we'll mark as Exhibit 20.

Mr. Napoli, can you look at what we marked as Exhibit 20 and as you're reading it I'll read in the record the Bates number. ALLERGAN_MDL_02179760 through 772.

When you're ready, can you tell me what this appears to you to be.

I'll just note for the record, this was produced to us and I double-checked it the other day, there are consecutive Bates numbers but a couple of the emails are repeated.

So I don't think it's a copying issue. I think it's some type of a production issue, but I don't know what caused it. I think it's understandable in that context, though.

(Document review.)

A. Okay.

Q. All right. So with regard to this email, there is a name Jeff Collins.

Have we talked about him earlier today?

A. Yes.

Q. Who is Jeff Collins?

A. Jeff Collins is part of our global security team -- was part of our global security team and he was a security investigator.

Q. And then there is another name there, William Simmons.

We've talked about him earlier today.

A. William was my auditor investigator.

Q. And Mr. Collins writes to you at the last email in time, "Tom, I believe you are out of the office today. However, I was hoping you would be able to take a look at this. I want to get some feedback. Miami-Luken has placed an order for 72 units of Oxy/APAP, 10/650-milligram, 100 count. This is on top of the 84 they have already received this month. They're allowable is 53 which would put them 103 over for the month. They sent along their sales for May 1 - June 25, which is helpful and produce nothing extraordinary other than one customer.

"McMeans #1 Ashland appears to be a local pharmacy in Ashland, Kentucky. They have ordered 42 units of this product during this

time frame which accounts for 4200 pills. This account jumps out as having purchased significantly more than the other, which is why I'm asking. This is a small rural town of 21,000 people in the mountains of Kentucky.

"Do you have much knowledge of Miami Luke in SOMS program, and are you comfortable with this order?"

So do you remember receiving this particular email?

A. I don't. I have no recollection of this email.

Q. Do you remember ever discussing this particular order with anybody?

A. I do not.

Q. All right. And as you look at the last page of this Exhibit 20, the very last page, it says Watson Pharma Inc. SOMS Investigation Form.

A. Yes.

Q. So is the oxycodone that Mr. Collins is discussing listed on this page?

A. I believe it's the last line there.

Q. All right. As you go on this form,

the SOMS investigation form that's at page 9772, there are various columns and it states Item No, Material No, Description, Order Quantity.

Next to Order Quantity there's handwritten notes.

In the context of your work at Watson, do you know what those mean?

A. There is a reason code, which I think corresponds to why something was released. It appears that there was none for the last line item which means it likely was not released.

Q. All right. With regard -- go ahead.

A. Release quantity...

(Document review.)

A. The release quantity, it just indicates the number that would be released because of the order.

Q. Okay. What about the order quantity there with the 24, 24 and 72 and 5, 24 and 103 written in next to it?

Do you know what that means?

A. I'm thinking. I didn't major in math but month-to-date quantity plus 72 equals 103. No, that can't be.

Q. Let me just ask you: From the context of your typical work at Watson and Actavis, you don't know what those handwritten numbers would be?

A. I didn't review these every day.

Q. Okay.

A. And I haven't worked for the company in several years.

Q. But you had mentioned on the far right-hand side, Reason Code --

A. Right.

Q. -- there?

Do you remember there being at least 12 different reasons as to why not release or hold an order?

A. I don't.

Q. As you read through this document, would it surprise you if this order was released?

MR. KNAPP: Form.

MR. LUXTON: Same.

(Document review.)

A. So the 103 was the number they would have been over for the month.

Q. Okay.

A. And I'm not sure about this being released or not.

Q. But as you look at it, would you be surprised if it was released?

MR. KNAPP: Same objection.

MR. LUXTON: Same.

A. I don't know. I don't know if there are other -- if there were subsequent actions or investigation that took place; not contained within here.

Q. Based on the information that's in that email there, would you, using your judgment as you sit here today, would you think that the order should be released?

MR. KNAPP: Objection to form.

MR. LUXTON: Objection to form.

A. It would be difficult to judge something that happened that long ago and I don't know if I have all the details there.

Q. As you think about what you read in that email, are there any particular pieces of information that you would want to know beyond what's contained there?

A. Probably want to know more about the pharmacy location.

Q. All right. So let's move on. Here's Exhibit 21.

(Napoli Exhibit 21,2014 Year-End Review DEA Materials, Bates-stamped ALLERGAN_MDL_03535137 through 143, marked for identification, as of this date.)

BY MR. EGLER:

Q. And if you look at Exhibit 21, the first page has no Bates numbers. The second page is ALLERGAN_MDL_03535137 through 143.

And you can look through the whole document, but I'm just going to ask you about what is the third page of the document, the second Bates stamp.

A. Okay.

Q. Before that, this is a 2014 -- it's listed as a 2014 year-end review of William Simmons; is that right?

A. Yes.

Q. All right. And Mr. Simmons is a DEA compliance auditor and you are his manager; is that right?

A. Correct.

Q. Do you remember writing this 2014 year-end review of Mr. Simmons?

A. I don't have a specific recollection, but I definitely would have written his review.

Q. All right. I want to look at the key goals and responsibilities that are listed on the first Bates-stamped page. And No. 9 is "Identify resources and key personnel to create a more comprehensive SOMS program to include leverage marketing personnel and chargeback data."

Do you see that there? It's on the prior page and it's right here (indicating).

A. Hold on one second.

Q. Number 9.

(Document review.)

A. Yes.

Q. And then on the next page, 138, the second half of Employee Evaluation --

A. Um-hmm.

Q. -- is this Mr. Simmons writing, "Collaborations with internal personnel have opened the door for the use of chargeback data

and marketing information as it relates to the sale/usage of controlled substance. This has provided more insight into the downstream process of controlled substance ordering, but it has also provided a better, quote, whole picture, unquote, of ordering behavior. Relations with customer service personnel have been created to allow for a monthly (or more frequent) report of top customers to include buying groups and contract additions/subtractions. Groundwork has been laid to start a collaborative relationship with coworkers as it relates to customer order usage."

Do you see that there?

A. I do.

Q. Do you remember Mr. Simmons having an initiative to use chargeback data and marketing information in the Suspicious Order Monitoring System at Watson or Actavis?

A. Yes.

Q. All right. Do you remember whether the data that he was seeking was ever imported into the automated part of the Suspicious Order

Monitoring System?

A. Again, data wouldn't be imported into the automated system, but this system would be used for analysis by Will as an auditor.

So in addition to the data that's listed here, and I'm trying to look at the time frame of this, but there was a point in which we moved out of the security organizations and were reporting to supply chain.

Within the supply chain group we have groups such as market forecasting, demand management. They have various tools to look at forecasts, volume, et cetera, and we were leveraging those relationships to be able to meet more frequently with those folks so we'd have a better understanding of future ordering behavior, as well as looking retrospectively as well.

And we also had an individual that could provide us chargeback data as well internally.

But chargeback data, again, is -- has got limited use and because of the vast amount of chargeback data we only used it to look at

specific products, specific SKUs that we wanted to focus on, such as hydrocodone and oxycodone.

Q. And as you think about the SKUs and the chargeback data, would that be part of the automated SOMS process or part of a process that was after the automated SOMS once an order had pended?

A. It would all be retrospective because the chargeback data is something that -- a customer would have to submit a rebate for, so that would -- that would all be dependent on when that customer submitted the rebate and when we received and processed pavement. So it's definitely a retrospective tool that Will would review on a monthly basis to supplement the work he was already doing and also looking at historical purchasing data by customers.

Q. The work that Will was doing, was it informing the automated part of the Suspicious Order Monitoring System or would it inform decisions made once an order pended?

MR. KNAPP: Objection to form.

A. I think where I'm getting stuck a little bit is when you refer to notifying the

automated system, because it's -- we are talking about -- it's an automated system.

Q. Right.

A. So, you know, Will's role within that -- you know, the automated system was one tool. Looking at reports or forecasting or demand that we're seeing, those are all tools that Will used as well to make informed decisions and to understand, albeit retrospectively, what a specific customer's ordering habits were. It essentially gave him more tools in his toolbox to be able to be very effective in his job.

Q. I guess what I'm trying to understand is with regard to the data and information that Mr. Simmons was getting, as you think of it, would it help to inform that algorithm or the formula or whatever was used that was the automated part of the SOM system, or would it inform other parts of the SOM system, or would it inform the people examining orders that had pended, or something else?

MR. KNAPP: Objection to form.

MR. LUXTON: Objection.

A. The data that Will was reviewing is -- again, much of it is retrospective. He would use that -- he was using that for analysis purposes.

So, you know, obviously, you know, we want to be making decisions in the realtime when it came to an order, but to give him perspective and to look at -- to look for trend analysis and things like that and also being proactive as possibly as you can with chargeback data, to look to see if there were any customers that were purchasing from multiple sources.

So it was just, again it was one more tool that was really autonomous of the automated system but it was part of our holistic process to have a whole view of as much information we could utilize practically within our program to make educated decisions and to really keep our finger on the pulse of our customers.

Q. So that the profiling of the customers wouldn't be happening on an ongoing basis by Mr. Simmons, but the information that he's looking at, referring to here in this Exhibit 21, would not inform the automated

decision about whether to pend an order; is that fair to say?

A. Right. That is correct. Because this is all history that we're looking at.

Q. All right.

MR. KNAPP: Is it about time for another break, or am I just ahead of the time here?

MR. EGLER: No, that's a good idea. Let's take a break.

THE VIDEOGRAPHER: The time is approximately 4:21 p m., and we are going off the record.

(Recess is taken.)

THE VIDEOGRAPHER: We are back on the record. The time is approximately 4:36 p m.

BY MR. EGLER:

Q. Mr. Napoli, you understand you are still under oath?

A. Yes, sir.

Q. Counsel, I've handed you what I have marked as Exhibit 22.

(Napoli Exhibit 22, Email chain

beginning with email dated 6/27/14 from Napoli to Simmons, Bates-stamped ALLERGAN_MDL_02146710 through 714, marked for identification, as of this date.)

BY MR. EGLER:

Q. While you look at it, as you're looking at it I'll read into the record it's ALLERGAN_MDL_02146710 through 714.

Can you look at this and tell me, when you're ready, whether you remember this particular set of emails.

I'll just note that, from my reading of it, the first email that you're on appears on the second page of the document.

A. Okay.

(Document review.)

A. Okay.

Q. All right. So this email -- well, when you turn to the second page of the document at the bottom, it's page 6711, there is an email from May Chan-Liston.

A. Yes.

Q. Do you know Ms. Chan-Liston?

A. Vague memory.

Q. She's listed as -- I guess it's Dr. Chan-Liston. She's listed as associate director of global risk management for Actavis, and as you think of it, global risk management, were they in part or in whole tasked with complying with FDA regulations?

A. I don't know. I mean, global risk management can imply a lot of things.

Q. So she says in her email to you and Ms. Woods, "Dear Mary and Tom. Hello. I'm reaching out to you in regards to some needed data regarding our product, Buprenorphine-Naloxone SL tablets. Since this product has an FDA-mandated risk mitigation and evaluation strategy program, REMs, we as the manufacturer are required to submit certain data in order to assess the program. You and your teams were identified as the resources to provide the following."

And then she says, "First, the number of suspicious orders detected and what the outcome was" -- "and what was the outcome from any investigation that occurred on those suspicious orders, order management, Mary Woods,

and then second, any loss or theft of product, controlled substance compliance, Tom Napoli."

And the rest of the emails going forward in time are with you and her and the discussion of the data she is seeking from you.

Do you see that there?

A. Um-hmm. Yes.

Q. And you ultimately find out from Mr. Simmons that you had no theft/lost reports for this product for this time period or during any other period.

Do you see that?

A. Yes.

Q. So thinking about the two things that Dr. Chan-Liston is asking for, the numbers of suspicious orders detected and what was the outcome from any investigation that occurred on those suspicious orders, as you sit here today with your understanding of the Suspicious Order Monitoring System at Watson and then Actavis, is that a report that your group or Mary Woods' group could generate?

A. We would certainly -- we maintain the file of orders that were deemed suspicious, so

we would be able to review that for -- to determine if there was an order that was deemed suspicious for that product.

Q. Would there be any statistics like that kept by your or Mary Woods' office for any reasons?

A. I would likely -- would have likely maintained a file of suspicious order.

Q. But beyond having the file itself, would you have maintained on a regular annual basis a compilation of the number of suspicious orders that pended or were investigated and the results?

A. Orders of interest that pended --

Q. Yes.

A. -- and that were investigated? I don't have a recollection if that file existed.

Q. So let's -- okay. We'll mark Exhibit 23.

(Napoli Exhibit 23, Document entitled "Customer Analysis and SOMS Overview Import/Export," Bates-stamped ALLERGAN_MDL_021477093 through 7110, marked for identification, as of this date.)

BY MR. EGLER:
Q. Mr. Napoli, can you look at what's been marked as Exhibit 23.
A. Sure.
Q. And for the record, I'll note, again the first page has no Bates numbers on it.
The second page is ALLERGAN_MDL_02147093 through 7110. When you're ready, could you tell me what this appears to you to be.
(Document review.)
A. This appears to be an outstanding overview that the order Will Simmons put together, breaking down our controlled substance ordering, customer activity, 2014 versus 2015, which, again, just gives us more data for analysis and keeps us more in touch with our customers. You'll see, you know, details of who our top customers were and how many active SKUs that we have. Looks like we actually had less customers in 2015 than 2014, and you'll see also distribution of order distribution, so -- by custom -- by customers.
Q. Do you remember ever seeing this

report before?
A. I'm sure that I have. I don't have an distinct recollection at the time, but I'm sure that I've seen this.
Q. I'll just tell you by the conventions of the metadata that appear on the first page, you are listed as the custodian for this document.
It wouldn't surprise you if you had seen this before, right?
A. No, it would not.
Q. So going into this report, on the first page, it says, "Customer analysis and SOMS overview."
Do you see that there?
A. Um-hmm.
Q. And it states "import, export."
Do you know what that means in the context of this document?
A. Sure. Sure. Will also had responsibilities for the import and export of controlled substances -- the import and export activities, so he would have been providing report out on that as well.

Q. Can you turn to page 7095, which is this page (indicating)?
A. Yes.
Q. And can you, as you look at that chart, can you tell me what this appears to be? What is it trying to convey?
A. It's conveying the quantity of solid dosage units by product family that were shipped year over year.
Q. And the first one that's listed there is hydrocodone/APAP?
A. Yes.
Q. Is that right? And that is an opioid; is that right?
A. Correct.
Q. And it lists, "2015 shipments year to date as 1,155,204," and that's solid dose units, as you said?
A. Yes.
Q. And that's down from the prior year, which was 1,522,346; is that right?
A. Actually 2015 is slightly up over 2014. No, you're right. I'm sorry. It's late in the day, but yes, it is down.

Q. I appreciate everybody has to take their time.
And then the next one there, oxycodone/APAP.
In the context of that term, APAP, what does that mean?
VIDEOGRAPHER: Don't touch the microphone, please.
THE WITNESS: I have a habit of grabbing my zipper.
A. APAP is aspirin. I believe there's APAP and there's -- yeah, APAP is aspirin. So it's a combination product.
Q. So this is oxycodone and aspirin, and again in 2015 400,495 solid dose units shipped, which is down from 555,916 in 2014.
The next one is oxycodone/HCL.
A. Um-hmm.
Q. What does HCL mean?
A. Hydrochloride. It's a single entity oxycodone.
Q. Okay. So is that generic OxyContin?
A. No, that may be --
Q. Is it generic Opana ER?

A. I would say that that is likely -- let me try to look down the list here, so I can make more educated -- would be the oxycodone 10- and 30-milligram immediate release product.
Q. So as opposed to a slow release or --
A. Yes.
Q. -- longer acting pill?
A. Correct.
Q. So those shipments are up, 2015 shipments being 308,097 solid dose units as opposed to just under 200,000 in 2014; is that right?
A. Correct.
Q. So do you know why this information would have been collected?
A. This is just giving us an annual year over year so we have an understanding of customer ordering behavior. Just, again, another tool that we can use at our disposal, more less of a annual report.
Q. Then there's various other data on the following pages. And as you go further into the document at 7099 it states at the top, Suspicious Order Monitoring.

The first thing there is the CFR that we've read before; is that right?
A. Um-hmm. Yes.
Q. And the second thing is a quote from Southwood Pharmaceuticals, Inc.
A. Um-hmm.
Q. And that is from the Federal Record, is that right.
Do you remember anything about the Southwest Pharmaceuticals case?
A. I do. I'm not up on all the details. I know it was a -- I don't want to call it a landmark case, but I know it was a significant case. I think that's probably where it was determined that relying on rigid formulas maybe appears -- may be setting a precedent, but that's...
Q. And then on the next page it states, "SOM system" and states, "SAP system suspends orders based on" -- it has a number of things there -- "class of trade, average" -- is it "quantity/order"?
A. Um-hmm.
Q. And then "class of trade, average

quantity ordered per month"?
A. Um-hmm. Yes.
Q. And "customer allowable quantity per order and customer allowable quantity order per month"; is that right?
A. Correct.
Q. And then it has other information, "System flagged, orders released based on customer allowable quantity per month and current month's order plus pending order" -- and then it says, "If less than allowable quantity per month, release order. If more than allowable quantity per month, contact customer."
Do you see that?
A. Yes.
Q. So the first part up there, "The SAP system suspends orders based on," is that the Buzzeo process?
A. No, that is a -- just a reiteration of the system we've been talking about.
Q. Okay.
A. This presentation is an overview -- it's an overview of our -- it looks like a walk-through of our system, of our process.

Q. So then by 2015, is it fair to say that Actavis, at this point, had not changed from the prior Watson automated system; is that right?
A. That's correct. I think what you can see here is the trajectory of enhanced Know Your Customer, as well as the -- seizing more opportunities to use more data that is available to us internally to give us a more holistic view of our customers' ordering patterns.
Q. All right. Going down into page 107 it states, "Additional Analysis."
(Document review.)
A. Yes.
Q. And it says, "Chargeback" -- and it has a paragraph about chargebacks. That says, "Monthly chargeback analysis performed for oxy and hydro products." It says, "Customers purchasing large amounts from multiple distributors, more than two distributors, and then in (primary, secondary, tertiary) and then analyze month-over-month trends to detect pattern and then assist in violation" -- I'm sorry -- "Assist in validation of SOMS orders."

So is this the chargeback analysis that we were talking about with Mr. Simmons in his annual review previously?

A. Yes.

Q. All right. And, again, as we talked about before, this would inform the decision about whether to clear or escalate an order that had pended typically; is that right?

A. It could be used, yes, as a resource.

Q. What else could it be used for?

MR. KNAPP: Form.

A. It could be used as a resource for conducting an investigation on a pending order, but it can also be used as a statistical analysis tool to -- to look for trends or evaluate if these types of activities, for a forensic review-type of tool.

Q. You can set this document aside. I'll hand you what I'll mark as Exhibit 24.

(Napoli Exhibit 24, Email chain beginning with email dated 7/31/14 from Napoli to Simmons, Bates-stamped ACQUIRED_ACTAVIS_02476517 through 6518, marked for identification, as of this

date.)

BY MR. EGLER:

Q. Mr. Napoli, can you look generally at what's been marked as Exhibit 24. And as you're doing so, I'll note for the record that it's officially two pages long, acquired Actavis 0247, 6517 through 6518. But the second page, although it's one Bates number, is the PowerPoint presentation that's printed out behind there.

Do you see that?

A. Sure.

Q. All right. And again in the way these things are produced, the PowerPoint presentation was produced as one Bates number.

So as you look at this PowerPoint presentation and the emails that are there, the email that's first in time comes from a person named Ann, A-n-n, C., is it, Cipkins?

A. Yes.

Q. C-i-p-k-i-n-s.

Do you know Ms. Cipkins?

A. I do.

Q. Who is Ms. Cipkins?

A. I don't know if she still is, but she was the director of demand management for Actavis.

Q. As you think of it, what does demand management mean?

A. Demand management is a group within our supply chain group and they would be a liaison between understanding what the needs are of the customer, as well as interfacing with the sites that manufacture those projects and to help them to -- you know, to coordinate the scheduling. So, essentially, she would be communicating or putting together data relative demand, communicating that with the site so the site can schedule their manufacturing around that to be able to meet that demand.

So in order they may need to prioritize certain products to manufacture during a certain time frame because -- to meet the demand.

Q. All right. And she writes to a big group of people including yourself, "Attached is the generic S&OP deck.

Do you have an understanding of what

S, ampersand, OP means?

A. Yes. It's an S&OP meeting. An S&OP meeting is a common meeting that occurs in many organizations, whether pharmaceutical or otherwise, and it's basically a sales and operations meeting and it's an opportunity to -- for the folks on the sales and the commercial side to interface with the operation side to enhance communication. Again, to ensure that we -- that the organizations are on the same page, understanding, you know, things, if there have been bids awarded, if there are any issues where somebody is falling out of the market, identifying any opportunities, so that everyone has an understanding and is on the same page and can communicate that back, whether they need to work that into their plans to support the manufacturing sites, et cetera.

Q. All right. So this presentation doesn't have page numbers. I'm going to hold up a page to you and it states, "TU Summary (as of 7/1)."

Would you turn to that page.

A. Yeah.

Q. And do you have an understanding of what this TU summary as of 7/1 is trying to convey?

A. TU, I believe, is Temporarily Unavailable, and it's showing that because of -- you see here a reason code, API issue, maybe there isn't enough API, maybe the API failed a test that -- or again insufficient amount of API that we were not able to meet demands. So there has been a cumulative loss in sales associated with that.

So this is really a callout to the business as far as products where we have issues that are temporarily unavailable. And of course management would want to always be kept abreast of products that are temporarily unavailable and when we're going to get back to market with these products.

Q. All right. And then there is another slide, and it's -- I think it's six pages from the end, or four pages from the end, it states "Business Opportunities." It looks like this (indicating).

(Document review.)

Q. It states, "Business opportunities, McKesson has confirmed the Rite-Aid award for oxy 15 milligrams and 30 milligrams beginning in September."

From the context of this document, can you tell what that statement means?

A. Sure. That means that our customer McKesson has confirmed with us that they've won an award from Rite-Aid for the business for this particular -- for these particular SKUs and they're reporting what the estimated annual units will be for those products.

Q. So -- go ahead.

A. I was going to say, that's why you'll see that Ann forwarded this onto my team because it's a good source of intelligence for us. So now we can see we're getting advance information, that, okay, we can anticipate that we're going to see an increase in SOMS and volume on orders on these, and we can dig deeper on this so we can be ready for when this occurs.

Q. And going back to the first page, that's what you write to Mr. Simmons; is that right?

A. Yup.

Q. All right.

A. So it's just another source of intelligence to help us be more effective in compliance.

Q. All right. You can set this document aside. I'll hand you what we'll mark as Exhibit 25.

(Napoli Exhibit 25, Actavis document entitled "Project Continuation Justification: SOM Statistical Model Development and Hosting 'in the Cloud'", Bates-stamped ALLERGAN_MDL_ 03535253 through 257, marked for identification, as of this date.)

BY MR. EGLER:

Q. Mr. Napoli, can you look at Exhibit 25, and like the other ones today the first one has no Bates numbers and then the second page is ALLERGAN_MDL_03535253 through 257.

And when you're ready, can you tell me if you've ever seen this document before.

(Document review.)

A. I have seen this document.

Q. Did you write this document?

A. Yes, sir.

Q. Why did you write this document?

A. I wrote this document as a means to get the Cegedim or Cegedim-Dendrite solution implemented.

Q. At the bottom left-hand corner of the first Bates-stamped page, 253, it has the date February 19th, 2015.

A. Yes.

Q. Do you remember writing this document around that time?

A. It's very likely.

Q. Then on the second Bates-stamped page, 254, the section that starts with: "Background."

Do you see that?

A. Yes.

Q. The second full text paragraph, I'm just going to start reading it into the record. It says, "Based on this compliance need, Cegedim did in fact develop and deliver a SOM statistical model to be incorporated into our

order management system within SAP. Due to successive acquisition activities since product initiation the implementation has been placed on hold at several junctures based on business integration needs. During the past several years, DEA has become more aggressive in its approach related to SOM/Know Your Customer taking against" -- "taking action against a growing number of companies for having non-compliant SOM programs. In an effort to ensure compliance with the regulations, both the C/S compliance, order management teams, have collaborated making efforts to enhance compliance from customer vetting, order review/evaluation through investigation/disposition.

"This manual effort is very labor intensive, as the current system was not configured with any analytical tools to support timely and accurate decision making. This approach also introduces the element of human interaction into the order evaluation process.

"Additionally, the current process can have an impact on the amount of time

required to release a pended order that is under review, affecting customer service/fill rate levels."

Do you see that there?

A. I do.

Q. Did you write that?

A. Yes, I did.

Q. At the time that you wrote it, did you believe what you wrote there?

MR. LUXTON: Objection to form.

A. Yup, I do believe that those facts are accurate. We did have -- we did have a compliance system, but we wanted to enhance our compliance to ensure that we were always continually evolving it on the high ground.

Q. So above there you write, under background, "The SOM" -- "The SOM automation project initially commenced in 2011 with the primary goal of replacing our, quote, threshold, unquote, based system with the CFR compliant model developed by Cegedim. This project was initiated in an effort to ensure compliance with the Code of Federal Regulations, SOM requirements, controlled substances, 21 CFR

1301.74 b, as well as December 2007, DEA memory."

Do you see that?

A. I did.

Q. When you wrote that in February 2015, did you believe that to be true?

A. I did believe that Buzzeo had a system that they were proposing that was compliant with the CFR

We also had one as well, but we wanted to move up to a more enhanced sophisticated system.

Q. So other parts of the -- this memo talk about a suspicious order monitor -- suspicious order monitor statistical model that will be hosted, quote, in the cloud and based on Actavis's order data.

A. Yes.

Q. Do you remember whether this cloud-based SOM statistical model was ever adopted at Actavis?

A. This system was created. We used it in a test environment. We're happy with it. We were subsequently acquired by Teva and it was

put on hold and I don't believe that Teva chose to utilize it.

Q. All right. So with regard to the -- this is -- so with regard to your understanding -- well, with regard to your understanding, Actavis never implemented the cloud-based system that's discussed in this memo; is that right?

A. That's correct. When Teva acquired Actavis around this time frame they already had their own program in place for Suspicious Order Monitoring.

Q. So this goes to the number of corporate transactions that took place --

A. Right, right.

Q. You're describing the company as being bought by Teva. Part of what was Actavis, was purchased and closed on by Allergan.

Do you have an understanding of that as well or some type of transaction occurred between Allergan and Actavis; is that right?

A. Right.

Q. Either Actavis bought Allergan or Allergan bought Actavis?

A. Actavis bought Allergan.
Q. All right. And as far as you're concerned -- well, during that process, when did you leave?
A. I left around maybe October of 2016. Sometime in the early fall of 2016.
Q. So I'm going to hand you what we will mark as Exhibit 26.
A. Okay.
(Napoli Exhibit 26, Email chain beginning with email dated 1/11/16 from Baran to Russo with attachment, Bates-stamped ALLERGAN_MDL_ 03431731 through 1739, marked for identification, as of this date.)
BY MR. EGLER:
Q. Before we get to Exhibit 26, why did you leave?
A. I was laid off.
Q. All right.
A. Because Teva already had a DEA compliance staff and program. I helped them orient them with -- with our side of the business and was part of a reduction in force.

Q. All right. So looking at what I marked as Exhibit 26, can you page through it. I'll read into the record. It's ALLERGAN_MDL_03431731 through 1739.
If you look through this generally, but I'm just going to ask you a few questions about this.
(Document review.)
Q. Now I'll note for the record that the last email that you're on the page appears on the third page of this document, as I read it.
A. Um-hmm.
(Document review.)
A. Okay.
Q. All right. Based on the emails that are here, do you remember around August 2015 Actavis deciding to sell to Bell Medical again?
MR. KNAPP: Objection to form.
A. I do recall this series of emails and this situation.
Q. All right. Did you have any input in the decision whether to start selling controlled substances to Bell Medical around this time?
A. My input would have been from a DEA

compliance standpoint the -- you can see in this email string that there was -- both of our auditor investigators did a lot of due diligence on this and also met personally, I believe, with the individual from Bell Medical, in Marlboro, New Jersey.
And the reason why this stands out to me is that, you know, Actavis, we had a model where we did not distribute direct to dispensing physicians. And in this case it was a case where we wanted to make sure that we did the right amount of due diligence and understand and monitor what the product -- it would only be one product, what the quantities would be, and they were for these clinics -- Buprenorphine -- they were for clinics to assist, I believe, addicts with -- Buprenorphine was used for more -- for heroin, I think.
Q. Did you ever do a site visit to the Bell Medical facility?
A. I didn't, but I believe Will Simmons may have.
Q. Did you ever talk with him about the site visit that he did?

A. I don't have a distinction recollection of it.
Q. All right. So now we have a couple of exhibits that are out of order time-wise.
A. Okay.
Q. The first one we'll mark as Exhibit 27.
(Napoli Exhibit 27, Email dated 11/13/13 from Kemnitzer to distribution list, Bates-stamped PPLPC020000735777 through 782, marked for identification, as of this date.)
MR. LUXTON: Thanks.
BY MR. EGLER:
Q. Mr. Napoli, can you look at Exhibit 27. I'll note for the record, again, it's not an Actavis or Allergan document. It's noted as PPLPC020000735777 through 782. The last page is marked as nonresponsive.
Can you look at this document and tell me if you ever remember receiving an email like this in November 2013.
(Document review.)
A. I don't have an exact recollection of

this. This looks like an agenda for a New Jersey Pharmaceutical Industry Group meeting.

Q. All right. So if you turn to the third page of this document, which is 5779 --

A. Yes.

Q. -- there is an email from Michael Meggiolaro. It's M-e-g-g-i-o-l-a-r-o.

A. Good job.

Q. It's dated Thursday, November 7, 2013, at 5:09 p m.

Do you see that there?

A. I do.

Q. And he writes, apparently to a person named Lisa Butler. "Lisa, you are so good. I promised the update for all the topics yesterday but didn't get to them. Here is what I had received. You already added Susan Carr's, so I don't have to add hers to the list."

And just to note, your name appears on that email; is that right?

A. Yes.

Q. And it says, "Please update the agenda accordingly at 2014 quota letters" -- and then number two is, "SOM programs."

And then under SOM programs it says, "Is anyone auditing customers? If so, how? (Site visits, questionnaires, et cetera)."

And then the second one is: "Computerized statistical models."

Do you see that there?

A. Yes.

Q. Do you remember attending a New Jersey PIG meeting where SOM programs were discussed around November 2013?

A. I don't.

Q. All right. You can set that one aside.

(Witness complies.)

Q. I'm going to do this one as two separate exhibits. I'll hand you what we'll mark as Exhibit 28 and 29.

(Napoli Exhibit 28, Email chain beginning with email dated 1/14/16 from Lepore to Simmons, Bates-stamped ALLERGAN_MDL_01551062 through 1064, marked for identification, as of this date.)

(Napoli Exhibit 29, Natively-produced Spreadsheet, Bates-stamped

ALLERGAN_MDL_01551064.xlsx, marked for identification, as of this date.)

BY MR. EGLER:

Q. Mr. Napoli, can you look at what I've marked as Exhibits 28 and 29.

I'll tell you, for the record, although they are marked as two exhibits, they are one email and one family as produced by the defendants in the case.

A. Okay.

Q. For the record, Exhibit 28 is Bates-stamped ALLERGAN_MDL_01551062 through 1064.

And then 29 is a larger version of page 1064, which is produced as an Excel file.

Can you look through it, and the question I have is: Do you remember receiving this email?

A. I do not.

Q. So this email that starts on the first page of Exhibit 28 states: "Re McKesson DEA suspensions."

Do you remember around January 14, 2016, when this email took place there was a

suspension of various DEA licenses at McKesson locations?

A. I do recall that McKesson did have some compliance issues and some subsequent registration suspensions.

Q. And then in an email below, Victoria Lepore writes to you and other people, "Hi, Will and Tom, just want to keep you in the loop that I found out the McKesson's DEA registration (Aurora, Colorado; Livonia, Michigan; Washington Court House, Ohio; and Lakeland, Florida) is suspended for specified products and time periods." And then she attaches a link and other text.

On the top email is what she refers to as the HANA report for McKesson locations that we shipped to from January 2015 to January 2016.

Do you see that?

A. Yup. Yes.

Q. Do you remember from your time working at Actavis and Watson the term HANA report?

A. HANA is a feature, a reporting

feature of SAP.
Q. All right. And so do you remember Ms. Lepore doing reports like this when you or someone else asked for them at Watson and Actavis?
A. I don't specifically have a lot of experience with it, but then HANA was something that you can see by the time frame on there too, it was a recent addition to the SAP. So it wasn't a report we would have had access to for a long period of time. I would think that this report is generated so we could rationalize what quantities would be looking like for orders that would be, maybe, going to alternate distribution centers for McKesson.
This was not something that was a surprise. McKesson had had some ongoing issues. They had since hired Gary Boggs as their chief of compliance, who was Joe Rannazzisi's deputy, to come into the organization.
I flew out to San Francisco and I met with McKesson. There were many attorneys and compliance people to discuss their compliance program and to get an understanding of some of

these things.
So we knew, because, you know, these investigations, as you know, can go on for years, and -- but the ultimate result was they had a feeling that these facilities would have licenses that would be suspended. So this is something that we would have had knowledge of and planned around.
Q. Do you remember around this time, January 2016, whether your group at Actavis performed any analysis to determine whether any sales to these suspended McKesson locations were diverted?
A. It would be a challenge for us to do that from our level, to look at pharmacies to determine what was diverted. That would be something that would be inherent to a DEA investigation. We don't even know what the time period is that they were looking at. So it really would not be something that would be realistic for us to perform.
Q. Did you or anyone else that you know of at Actavis ask for that type of data from McKesson around this time frame?

A. What we did is we asked for a partnership meeting. That's why I traveled out to San Francisco, because I wanted to -- I was concerned and I wanted to get an overview and an understanding of their program and improvements that they had made, and especially with bringing on their new head of compliance, to understand that we had a level of confidence in their program going forward.
Q. And as part of that partnership meeting or other parts of the relationship, do you remember asking or do you remember anyone from Actavis asking for data about whether materials sold to these McKesson locations was subsequently diverted?
A. I don't recall and I don't know how that would be accessible to us.
Q. All right. But you don't recall asking for it one way or the other?
A. No, I don't.
Q. All right.
MR. EGLER: Let's take a quick break.
THE VIDEOGRAPHER: The time is approximately 5:25 p m. We are going off

the record.
(Recess is taken.)
THE VIDEOGRAPHER: We are back on the record. The time is approximately 5:34 p m.
BY MR. EGLER:
Q. Mr. Napoli, you understand you are still under oath.
A. Yes, sir.
Q. So do you identify yourself as ever having worked for an entity called Allergan?
A. Yes.
Q. For about how long did you work at Allergan?
A. I'm trying to think. Actavis acquired Allergan. I'm trying to think of when at the time Actavis acquired Allergan and then Allergan...
Q. Well, let me put it this way, was it less than a year?
A. Probably more than a year.
Q. So at the time that you worked for Allergan, did -- as you think of it, in your estimation, did Allergan still own the generics

that they subsequently sold to Teva?
MR. KNAPP: Objection to form. Foundation.
MR. LUXTON: Same.
A. I don't know how they -- you know, Allergan and Actavis were the -- are the same company, but I don't know how the structure, the parent structure.
Q. I understand this and I'm trying to ask in a very general way. So maybe you'll let me ask it a different way.
So you have an understanding that after either Allergan or Actavis sold the generics to Teva, that there were still some controlled substances manufactured or owned by the Allergan entity?
A. Yes.
Q. And do you remember whether -- when that occurred, you were still working there?
A. When what occurred?
Q. When the -- after the generics all left, but there was still some controlled substances owned by Allergan.
MR. KNAPP: Form.

A. I would have been part of the Teva acquisition, so I would no longer have been with Allergan.
Q. So with regard to any Suspicious Order Monitoring System that Allergan had in place after the sale to Teva, you wouldn't have had anything to do with that; is that correct?
A. Correct.
MR. EGLER: I have no further questions.
THE VIDEOGRAPHER: Anyone else has questions.
MR. KNAPP: I have a few questions. Do I need to get a microphone?
THE VIDEOGRAPHER: Yes, you can have that microphone.
EXAMINATION BY
MR. KNAPP:
Q. Good afternoon, Mr. Napoli, my name is Tim Knapp. I'm with the firm of Kirkland & Ellis and I represent Allergan in this matter.
In response to some questions that Mr. Egler asked you, you testified about reporting an order from TopRX to the DEA.

Do you recall that?
A. Yes, I do.
Q. I know it's been, you know, five years or so since you've left Actavis, Watson, but do you recall sitting here today, recall reporting any other orders or customers to the DEA during the time that you worked on Suspicious Order Monitoring at Actavis or Watson?
A. I do.
Q. And what are those entities that you recall?
A. I know Capital Wholesale was one of them. And I'm -- there were several others, but I'm hard-pressed to recall them, but there were additional organizations other than TopRX and Capital that we did report.
We also did some preemptive reporting to the DEA as well, too. After the acquisition of Actavis, we had a customer that wanted to come on board with us. Quality King. It was a company out of New York, and we did a review of them. We asked for their customer information, what products they were interested in purchasing

from us and we determined that they were high risk due to distributions that they were making in the State of Florida and other states. Some of their customers were questionable, so we denied them and also reported them to the DEA because we felt it was -- they were that much of a risk.
Q. Now when you say "we reported to the DEA," who specifically are you referring to?
A. I specifically reported that to the DEA to -- the company was based out of Long Island, so I reported to Richard Springer, who is the diversion chief in the Long Island office.
Q. And with respect to TopRX, did you personally report them to the DEA?
A. Yes.
Q. And do you recall who you reported TopRX to?
A. Yes. That would have been Tim Lenzi in the Chicago DEA field office.
Q. And then what about Capital Wholesale, did you personally report them to the DEA?

A. Yes. It would have been the same.
Q. And when you say it's the same, who did you report to?
A. To Tim Lenzi, DEA field office, Chicago.
Q. Now Mr. Napoli, you also spoke quite a bit with Mr. Egler about issues associated with diversion of controlled substances.
We talked a lot about Suspicious Order Monitoring System today.
I just want to ask you, generally, were there any other efforts that you undertook or that the company undertook while you were at Watson, Actavis, Allergan to increase awareness associated with potential diversion of controlled substances?
A. Yes. First, I'd like to say that I'm actually -- I'm proud of my tenure in the position that I served in. I felt that I made a difference and it was always our goal to ensure that we were complying and did the right thing.
One of the things that I was proud of and that the company did was after the Actavis acquisition, there was a product called

promethazine with codeine, which was a cough preparation that contained codeine, that was -- actually became popularized within the Houston area Rap culture. It was a high abuse product; it was referred to as the purple drink, and Actavis was referenced in the social media in different capacities in a very negative light because of this product, and our company decided that that product was not worth the risk associated with it. So we discontinued the entire product.
So I thought that was a proactive step and actually the DEA actually recognized that as well as a positive effort to combat diversion.
I also initiated a program called, It Starts With Me, which was a program that engaged our employee population throughout our entire U.S. region regarding the abuse of the opioids that have been going on with the United States, engaging our employees to raise the level of awareness but also to get socially engaged.
We partnered with a -- and sponsored a group called Young People in Recovery, and

that group, we supported their chapters throughout the U.S. financially and with any type of support. We had a lot of our employees who did fundraising for these organizations, and it was individuals who -- again, who in their teens and 20s who had issues and struggles with opioids and that were turning things around, and we were very proud to support that program, as well as supporting law enforcement in providing, take-back receptacles to multiple jurisdictions as well, too.
So, again, just very proud of a lot of the work that we did, not only to ensure compliance within our work communities but also in the communities in which we live.
MR. KNAPP: I have nothing further. Thank you very much.
MR. EGLER: I have nothing else.
(Continued on following page to include jurat.)

THE WITNESS: Thank you.
THE VIDEOGRAPHER: The time is approximately 5:42 p m. and this concludes the deposition.

_____.
THOMAS P. NAPOLI

Subscribed and sworn to before me
this day of 2019.

_____

CERTIFICATE

STATE OF NEW YORK)
: ss.
COUNTY OF WESTCHESTER)

I, ANNETTE ARLEQUIN, a Notary Public within and for the State of New York, do hereby certify:

That THOMAS P. NAPOLI, whose deposition is hereinbefore set forth, was duly sworn by me, and that the transcript of such depositions is a true record of the testimony given by such witness.

I further certify that I am not related to any of the parties to this action by blood or marriage; and that I am in no way interested in the outcome of this matter.

IN WITNESS WHEREOF, I have hereunto set my hand this 17th day of January 2019.

_____

ANNETTE ARLEQUIN, CCR, RPR, CRR, CLR

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ERRATA SHEET FOR THE TRANSCRIPT OF:

CASE NAME: NATIONAL PRESCRIPTION OPIATE

DATE: JANUARY 17, 2019

DEPONENT: THOMAS P. NAPOLI

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THOMAS P. NAPOLI

SUBSCRIBED AND SWORN BEFORE ME

THIS____DAY OF_____ 2019.

_____

(Notary Public)

MY COMMISSION EXPIRES:_____